EXHIBIT 1

Johnson et al. v. Hewlett-Packard Company
HP Policy Documents

Sales Compensation Incentive Pay Administration Policies

FY05 US Sales Compensation Incentive Pay Administration Policy – HP00010484
Effective November 1, 2004

FY06 North America Sales Compensation Incentive Pay Administration Policy – HP00000328
Effective November 1, 2005 [Effective 1H-2006 only]

Global Sales Compensation Inventive Pay Administration Policy – HP00000414
Effective May 1, 2006, Last updated May 17, 2006 [Effective 2H-2006]

Note: The North America/Global Sales Compensation Incentive Administration Policy was replaced by the Global Sales Compensation Policy.

Sales Credit Implementation Guidelines

FY05 US Sales Compensation Incentive Credit Administration Policy – HP00010468
Effective August 24, 2005; revised October 4, 2005

FY06 North America Sales Credit Implementation Guidelines – HP00000308
Effective November 1, 2005

FY06 North America Sales Credit Implementation Guidelines – HP00000394
Effective May 1, 2006; Last Revised: June 27, 2006

Note: The North American Sales Credit Implementation Guidelines was discontinued and was replaced by the Americas Sales Compensation Operations U.S. & Canada Sales Compensation Handbook.

Sales Credit Policy

Sales Credit, Effective May 1, 2004 – HP00014633

Sales Credit, Effective November 1, 2004 – HP00000242

Sales Credit, Effective May 1, 2005 – HP00000227

Sales Credit, Effective November 1, 2005 – HP00000460

Sales Credit, Effective May 1, 2006 – HP00000444

Note: The Sales Credit Policy was replaced by the Global Sales Compensation Policy.

Global Sales Compensation Policy

Note: Replaces the North America/Global Sales Compensation Incentive Administration Policy and the Sales Credit policy.

HP Global Sales Compensation Policy – HP00000546
Last Updated: 08-Nov-2006; Effective 01-Nov-2006

HP Global Sales Compensation Policy – HP00000571
Last Updated: May 1, 2007; Effective November 1, 2006

HP Global Sales Compensation Policy – HP00000599
Last Updated: June 25, 2007; Effective November 1, 2006

HP Global Sales Compensation Policy – HP00000648
Last Updated: November 1, 2007; Effective November 1, 2007

HP Global Sales Compensation Policy – HP00000674
Last Updated: January 30, 2008; Effective November 1, 2007

HP Global Sales Compensation Policy – HP00000700
Last Updated: May 1, 2008; Effective November 1, 2007

HP Global Sales Compensation Policy – HP00000813
Last Updated: November 1, 2008; Effective November 1, 2008

HP Global Sales Compensation Policy – HP00000759
Last Updated: June 1, 2009; Effective November 1, 2008

HP Global Sales Compensation Policy – HP00000786
Last Updated: July 10, 2009; Effective November 1, 2008

HP Global Sales Compensation Policy – HP00008492
Effective November 1, 2009; Revised: October 27, 2009

HP Global Sales Compensation Policy – HP00008455
Effective November 1, 2009; Revised: December 11, 2009

Americas Sales Compensation Operations U.S. & Canada Sales Compensation Handbook

Note: Replaces *the North American Sales Credit Implementation Guidelines*

Americas Sales Compensation Operations – HP00000883
U.S. & Canada Sales Compensation Implementation Guidelines
Effective November 1, 2006

Americas Sales Compensation Operations – HP00000898
U.S. & Canada Sales Compensation Handbook
Effective November 1, 2007

Americas Sales Compensation Operations – HP00000909
U.S. & Canada Sales Compensation Handbook
Effective November 1, 2008

Americas Sales Compensation Operations – HP00215632
U.S. & Canada Sales Compensation Handbook
Effective November 1, 2009

Global Sales Compensation Handbook

Global Sales Compensation Handbook – HP00309509
Effective May 1, 2008

HP Global Sales Compensation Handbook – HP00309499
Effective May 1, 2009, last updated July 10, 2010

HP Global Sales Compensation Handbook – HP00309483
Effective November 9, 2009, last updated May 3, 2010

HP Corporate Marketing Order Management Policies

End-User Customer Verification – HP00309222
Effective February 1, 2005

End-User Customer Verification – HP00309227
Effective February 1, 2005; Revised August 3, 2009

Order Acceptance Policy – HP00309237
Effective November 1, 2005

Order Acceptance Policy – HP00309246
Effective September 1, 2007

Documents Governing Crediting To Plaintiffs

- All of the above
- Each Plaintiff's Sales Letter for each year of employment (see below)
- Each Plaintiff's Credit & Compensation Plan for each year of employment (see below)
- Memorandum identifying deadlines for credit cut-offs, manual claim cutoffs, etc.

Plaintiffs' Sales Letters have been produced as follows:

- **Johnson:** HP00002378 (FY05); HP00002382 (FY06); HP00002385 (FY07); HP00002390; (FY08); *see also* HP00373303-7304 (FY08);

- **Riese**: HP00002379-2380 (FY05); HP00002383 (FY06); HP00002386-2388 (FY07); HP00002391 (FY08); HP00011322-1323 (FY09); *see also* HP00373297-3300 (FY08);

- **Simmons**: HP0002381 (FY05); HP00002384 (FY06); HP00002389 (FY07); HP00002392 (FY08); *see also* HP00373305-3306 (FY08);

- **Purvis**: HP00215619 (FY05); HP00215620 (FY06); HP00014451 (FY07); HP00014450 (FY08)

Plaintiffs' Credit & Compensation Plans have been produced as follows:

Johnson: HP00002442; *see also* HP00372280; HP00373777-3788; HP00215680-5894 (FY05); HP00002472 (FY06-1H); HP00002477 (FY06-2H); *see also* HP00372891 (FY06); HP00002508 (FY07-1H0); HP00002516 (FY07-2H); HP00002504 (FY08); *see also* HP00219320 (FY08 Sales Compensation Plan Communication Session PSG Volume); HP00219748 (FY08 Sales Compensation Plan Communications Leader Outline).

Riese: HP00002458; *see also* HP00372280; HP00373794-3797; HP00373777-3788 (FY05); HP00002472 (FY06-1H); HP00002477 (FY06-2H); *see also* HP00372891; HP00002482 (FY07-1H); HP00002512 (FY07-2H); HP00002501 (FY08); *see also* HP00219395 (p.10) (FY08 PSG SPO Sales Incentive Plans US); HP00219231 (FY08 Sales Compensation Plan Communication Session PSG SPO); HP00219748 (FY08 Sales Compensation Plan Communications Leader Outline).

Simmons: HP00002449; *see also* HP00372251; HP00373790-3793; HP00373777-3788 (FY05); HP00002485; *see also* HP00372759 (FY06); HP00002500 (FY07); HP00219500 (FY08); *see also* HP00373789 (1H06 Compensation Credited Productlines); HP00373302 (FY07 Compensation Credited Productlines); HP00219946 (FY08 TSG Sales Compensation Communication Session); HP00219761 (FY08 Sales Compensation Plan Communications Leader Outline).

Purvis: HP00215549; *see also* HP00372280; HP00373794-3797; HP00373777-3788 (FY05); HP00215614; *see also* HP00372873 (FY06); HP00215621 (FY07); HP00215563 (FY08); *see*

also HP00219946 (FY08 TSG Sales Compensation Communication Session); HP00219761 (FY08 Sales Compensation Plan Communications Leader Outline).

EXHIBIT 2

FY06
NORTH AMERICA
SALES COMPENSATION
INCENTIVE PAY
ADMINISTRATION POLICY

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Table of Contents

FY05 North America Sales Compensation

Incentive Pay Administration Policy

This FY06 North America Sales Incentive Compensation Policy is intended solely for the use of U.S. and Canada sales employees and those organizations that support them. This book is intended for all incentive employees, including sales executive managers, participating in a sales incentive plan from November 2005 through October 2006 (FY06).

All U.S. and Canada Sales Incentive Credit and Compensation Plans (Sales Plans) and this Policy are Hewlett-Packard (HP) Restricted and for internal use only.

Nothing in the Sales Plans, Worldwide Sales Credit Policy, North America Sales Credit Implementation Guidelines, or this Policy shall be construed to imply the creation of or existence of a contract between Hewlett-Packard and any participant, nor a guarantee of employment for any specified period of time. No Sales Plan participant will have any right to monies accrued through the plan until and unless all terms, provisions, and conditions, as set forth in the assigned Sales Plan have been met. Hewlett-Packard reserves the right to adjust the assigned Sales Plan to address significant unforeseen business issues.

Hewlett-Packard reserves the right to change or discontinue this Policy, with or without notice, at any time.

Employees leaving Hewlett-Packard are required to return this book and all materials concerning the FY06 U.S. or Canada Sales Incentive Compensation Plan to their managers.

Americas Sales Compensation Operations (SCO)

Introduction

HP's Sales Compensation Program recognizes that while overall pay practices should be consistent throughout HP, specifically tailored sales incentive plans must be available to support the tactical sales objectives of each sales organization. This program enables HP to meet two important sales compensation objectives:

- **Global Sales Incentive Pay Consistency**

  The program is designed to promote consistency of Sales Plans across HP through the application of a consistent incentive design methodology while affording flexibility to each sales organization in the design of unique compensation solutions for their field jobs. Plan design is based upon a standard framework determined by the Worldwide End to End (E2E) Sales Compensation Organization. Exceptions to the standard framework must be approved by the Worldwide E2E Sales Comp Organization.

- **Business Focus**

  HP recognizes the Businesses serve diverse markets. The sales process and skill sets required to effectively serve each market may vary considerably by sales organization. HP seeks to enable each Business to develop Sales Plans to best meet their unique business needs.

To meet both of these objectives, similar jobs within a country, regardless of sales organization, are being treated similarly regarding eligibility for sales compensation, on-target compensation levels, pay mix and multipliers. Each sales organization is engaged to establish performance measures, payment formulas and caps, performance period, payment frequency, and quota setting.

This document is the primary source of Incentive Compensation policy and practice within the United States and Canada. The Americas Sales Compensation Director and/or the appropriate Sales Vice President must approve exceptions to this documented policy. The Corporate Sales Compensation Council and the Worldwide E2E Sales Compensation Organization are responsible for global policy that affects North America policy. For any discrepancies with worldwide policy, the North America policy will prevail.

The following documents are sources of additional information related to incentive compensation policy issues. Incentive employees are expected to read these policies and discuss any questions with management. Any changes or exceptions to these policies must be approved by the responsible organization as indicated below:

Policy	Web Address	Responsible Party
WW Sales Credit Rules (213.0100) and HP Order Acceptance Policy (215.0400)	http://customerops.corp.hp.com/policies	Worldwide Sales Support Operations/Marketing Policy Manager
HP Global and Local Policies	http://athp.hp.com/portal/index.jsp	Human Resources

These policies, as updated, supersede any prior policies. If any conflict or inconsistencies exist between these documents, this North America Sales Compensation Incentive Pay Administration Policy shall take precedence. HP reserves the right to modify or discontinue this North America Sales Compensation Incentive Pay Administration Policy with or without notice as business needs dictate.

Incentive Plans

Incentive employees are paid a combination of a fixed base salary and variable incentive pay. Both components are contingent upon two critical company-issued codes, job code and Sales Specialty Code within a country.

TARGET INCENTIVES

Incentive pay is the variable portion of Total Compensation. Incentive payments are based on goal attainment, determined by assigned Sales Specialty. Target incentive is the amount that is paid for 100% goal attainment. Target incentive is a fixed annual amount determined by Job Code and Job Level by country. Incentive employees in a country will have the same Target Incentive when they have the following data elements in common:

- **Job Code**

  Job codes are created by Global Compensation and define Job Level and Job Family. Incorrect job codes will result in incorrect pay. Managers are responsible for ensuring their sales employees are assigned to the correct sales job codes.

- **Job Level**

  Job Level provides a general description of typical skills and abilities needed for successful performance of a job within a job family.

- **Sales Specialty Code**

  Each sales organization has codes to identify its sales incentive plans. The Sales Specialty Code defines the following information:

  - Applicable performance measures (sales performance incentive, Focused Sales Objectives (FSO), bonus)
  - Formulas, accelerators, and crediting rules associated with the incentive plan
  - Performance Period (i.e., discrete monthly, quarterly, semi-annual or annual)

  Example:

Job Code	00962C
Job Level	Intermediate
Sales Specialty Code	EGTE005AUS
Annual Target Incentive	$46,300
Performance Period	Semi-Annual

Target incentives are apportioned to one or more incentive plan components (Sales Performance incentive and/or FSO goals). Refer to applicable Sales Plan, accessible per your manager's communication or on the Americas Sales Compensation Organization (SCO) website: http://americas-sales-comp.corp.hp.com

INCENTIVE COMPONENTS

Incentive components are the criteria by which an incentive employee's performance is linked to incentive compensation opportunities. Each incentive employee is assigned a Sales Incentive Credit and Compensation Plan and Goal Sheet that outline the incentive components that apply:

- **Sales Performance Incentive**

  A sales performance incentive opportunity is the portion of total target incentive compensation that is based on sales performance against the quota for the defined performance period. Sales management will establish quotas for each sales representative based on their selling assignment.

- **Focused Sales Objectives FSOs**

  Some unique sales positions are paid on strategic objectives as opposed to pure sales performance. Immediate managers are responsible for designing FSOs (in accordance with guidelines) in consultation with the employee and an Americas Business Group Sales Incentive Design Lead at the beginning of each performance period.

  U.S. ONLY: The on-line FSO application and the detailed FSO Process Guidelines are available to the manager on the Americas Sales Compensation website: http://americas-sales-comp.corp.hp.com/

- **Other Performance Metrics**

  Other performance measures such as Margin Performance, Total Customer Experience (TCE) or Attach metric also may be included as incentive components of a defined Sales Plan.

- **Bonus and SPIFs**

  Additional incentive compensation may be available pursuant to the terms of documented and approved Bonus and SPIF programs. Target payment, program period and payment frequency will vary by program.

ACCELERATED INCENTIVES

Incentive employees may receive accelerated incentive rates for goal attainment over 100%. Goal attainment for each incentive component can be independently measured. Refer to applicable Sales Plan document or communication for specific details.

BONUS AND SPECIAL INCENTIVES FOR FOCUS (SPIF) COMPENSATION

Approved On-Top Bonus and SPIF programs offer opportunities to earn incentives over and above those identified within the Sales Plan. There are two types of incentive bonus programs: "On-Top" and "Special Incentives for Focus (SPIF)."

	On-Top Bonus Progams	SPIF Programs
Bonus Program Definition and Design Guidelines	On-Top Bonus Programs are established at the beginning of a performance period as integral components of the Sales Plan to augment a key area.	SPIF Programs are developed and announced for implementation at any time during a performance period (though typically at the beginning of a quarter or half) to incent and reward focus on a particular product, market, or desired sales behavior. SPIF programs typically involve contests or other competitive scenarios to meet a unique need within a short, specified period of time.
	On-Top Bonus and SPIF programs must be designed according to worldwide design guidelines documented by the Corporate Sales Compensation Council, the Worldwide E2E Sales Compensation Governance Council and the Americas E2E Sales Compensation Organization. On-Top Bonus and SPIF programs are designed to compensate with cash incentives only. Merchandise (such as IPODs and gift cards), E-Awards and point-driven gift programs are not valid methods for compensating On-Top Bonus and SPIF programs and will not be approved or supported by HP Sales Compensation. On-Top Bonus and SPIF programs require review and approval by Americas Sales Incentive Design prior to implementation, and are administered by the Americas Sales Compensation Operations Organization.	
Bonus Program Approval	Approvals for on-top bonuses are obtained in the design phase of a new performance period.	SPIFs are typically implemented at the beginning of a quarter or half according to an established request submission/approval schedule.
	Sales Vice President and Americas E2E Sales Compensation must review and approve all Bonus and SPIF programs before they are communicated to the targeted sales population(s). Bonus and SPIF programs with estimated/budgeted program cost of >$1m also must be approved by Worldwide E2E Sales Compensation. Bonus and SPIF programs must not interfere with each other or divert attention from defined Sales Plans.	

	On-Top Bonus Progams	SPIF Programs
Eligibility / Proration	Participation in a bonus program (On-Top or SPIF) is determined as follows: ▪ Eligibility for incremental earnings opportunities is based on defined bonus program criteria as determined by job code and/or Sales Specialty. ▪ Employee must be in an eligible job code and/or Sales Specialty, in Active Status, at the end of the bonus program period to be eligible to receive incentives under the program. ▪ Employee must be an HP employee, in Active Status, at the time of bonus payment to receive bonus incentives earned under the program. ▪ Employees on 100% Target Incentive Amount (TIA) are ineligible for bonuses. ▪ For six month **SPIF** programs, employee must be in an eligible Sales Specialty for at least the last 3 months of the program period to earn incentives under the program. If 50% time is met, the individual is eligible for the full (not prorated) bonus amount earned. If 50% of time is not met, employee is not eligible to earn any incentives under the SPIF program. ▪ For three month **SPIF** programs, employee must be in an eligible Sales Specialty for at least the last full month of the program period to earn incentives under the program. If one month time period is met, the individual is eligible for the full (not prorated) bonus amount. If one month time period is not met, employee is not eligible to earn any incentives under the SPIF program. ▪ **On-top bonus** earnings are prorated based on number of months in eligible Sales Specialty during the program performance period unless otherwise stated in the Bonus Program documentation as posted on the Sales Compensation Operations website.. ▪ For more specific eligibility by program, refer to Bonus and SPIF program documentation, accessible from the Americas SCO website: http://americas-sales-comp.corp.hp.com/	

BENEFITS CALCULATION

All sales performance and FSO incentive payments that are tied to pay-at-risk will be included in the total amount of pay for calculating stock purchase and (U.S. only) 401k. Incentive employees are not eligible for the Company Performance Bonus (CPB) or Pay for Results (PFR). On-Top and SPIF Bonuses are not tied to at-risk pay and are not benefit-eligible. Benefits on incentive pay are recognized in the period incentives are paid. For further details regarding benefits please refer to the BeneFLEX information on the HP Portal.

Participating in the Plan

The following is (required to participate) in a HP Sales Plan:

- Eligible Sales Job Code for FY06
- Sales Specialty Code for FY06
- FY06 Goal Sheet
- Active Status in HR system, working 20-40 hours per week

ACKNOWLEDGED GOAL SHEETS

The Americas E2E Sales Compensation Organization owns quota setting and goal sheet information assignment. Managers of plan participants are responsible for the process to ensure goal sheet review completion and acknowledgement at the manager and employee level.

All quarterly, semi-annual, and annual plans will have goal sheets created as early as possible in the plan performance period. Electronic goal sheets are assigned to sales employees and must be acknowledged within 30 days after the goal sheets are distributed.

All sales employees who are assigned a goal sheet must have an acknowledged goal sheet in place related to their sales assignment. If a goal sheet is unsigned at the end of the 30-day period, immediate action will be taken to determine why it has not been acknowledged. Sales incentives will be paid to the individual while the goal sheet status is resolved. The Sales Manager must document in writing to Human Resources the reason for failure to comply with goal sheet processes and rectify the situation so a goal sheet is completed as quickly as practical. Final resolution of any such dispute is within the sole discretion of Americas SCO and Sales Management.

Subject to local legal requirements, if an incentive employee is on leave prior to the beginning of a new performance period and is unable to sign a goal sheet at the beginning of a performance period, and leave status extends beyond 90 calendar days, the individual will not be considered an active participant in the plan during the first 90 calendar days of leave.

If an incentive employee is assigned to a Sales Plan for less than 30 days at the start of a performance period, no goal sheet will be issued and the individual will be paid 100% TIA for the portion of the month assigned to the Sales Plan.

If an incentive employee begins a leave after the performance period begins and the leave is for 90 calendar days or more without goal sheet acknowledgement, goal sheet must be acknowledged immediately upon return from leave. Goal sheet acknowledgement is not required if an incentive employee's accounts or territory was covered by another incentive employee in their absence.

Individuals terminating or transferring to a non-sales role prior to the assignment of a goal sheet will be paid at 100% of the target incentive (prorated for the period of Active Status). This amount is subject to recovery of any liabilities.

Incentive Pay Mechanics

The following explains the foundation of incentive pay mechanics and factors that determine an incentive payment.

PERFORMANCE PERIOD

The performance period is the time period for measuring performance for incentive purposes. A quarterly, semi-annual or annual performance period utilizes total period goals (quota and/or focused sales objectives) as the basis for performance measurement.

PAYMENT FREQUENCY

Payment frequency refers to how often an incentive payment is delivered to an employee. Payments generally occur monthly, quarterly, semi-annually or annually. The payment frequency that applies to each incentive component is contained in the Sales Plan for each incentive employee. Actual pay dates are identified in the Incentive Pay Calendar, which can be found on the Americas SCO website: http://americas-sales-comp.corp.hp.com/

INCENTIVE MULTIPLIERS

Each performance measure within a Sales Plan has defined incentive multipliers. Multipliers are applied depending on level of performance to deliver incentive pay at a defined rate for each identified threshold. Multipliers apply to under 100% performance (slope) as well as over 100% performance (accelerator). Attainment of 100% incentive component performance will result in total payment of 100% of the Target Incentive Amount assigned to that component.

An accelerated multiplier (accelerator) is applied to over-achievement performance (in excess of 100% goal attainment for the performance period) to deliver incentive pay at a higher rate. For example, if the accelerator is 3, the rep will receive 3% of the entire performance period's target incentive for every 1% of quota achieved over 100% quota attainment. Accelerators are calculated based on upside potential and ramps set for top performers so they may differ for various sales models and positions.

Accelerators may be "gated" in plans with single or multiple performance measures. A standard gate is a performance threshold that must be met before any accelerators will be paid. Accelerators for each performance measure may be deferred until the gate for each performance measure is met. Alternatively, each performance measure of a plan may offer standard and premium rate levels, based on meeting performance gates relative to embedded sub-quotas. Refer to the Sales Plan document or communication for specific details.

PAYMENT CAP

TIA-based incentive pay may be capped in any given performance period based upon levels identified by the Worldwide E2E Sales Compensation Organization. The payment cap applies to total incentive earnings (exclusive of Bonus and SPIF earnings) for the performance period. Some Sales Plans may contain cap(s) on specific plan components. Refer to the Sales Plan document or communication to determine the payment cap(s) that applies to incentive pay.

Most Bonus and SPIF compensation is subject to separate capping parameters. Cumulative Bonus and SPIF earnings cannot exceed 50% of plan period TIA unless otherwise specified in the Bonus Program documentation located on the Americas Sales Compensation Operations website. Plan periods may be annual, semi-annual, or quarterly and may differ from duration of bonus program. See specific Bonus/SPIF program for details.

If Sales Employee changes Sales Plans within the performance period, the calculation of payment cap will be prorated for each Sales Plan. If Sales Employee incurs a TIA change within the performance period, each period

with differing TIA amount will be calculated separately and combined for purposes of accumulation to payment cap.

NOTE: If the TIA-based payment cap is reached, credits and accumulated performance percents will continue to be reported.

PERIOD-TO-DATE MULTIPLIER METHODOLOGY

The quota attainment percentage is determined by dividing the cumulative period-to-date sales by the quota that applies to the entire performance period, usually 3 or 6 months. For example, in the fifth month of a 6-month performance period, sales for one component for those five months will be measured against the 6-month quota for that component. This percentage is then multiplied by the target incentive amount allocated to this component for the entire performance period

If the period-to-date amount previously paid in the current performance period exceeds the amount calculated on a period-to-date basis, no incentive will be paid in the current payment period.

Following is an example of a monthly incentive payment frequency with a semi-annual performance period ("M" equals "month"):

Performance Period (Quota)	Basis for Pay Calculation (Cumulative Sales)	Performance Calculation	Incentive Payment*
6 Months	M1	M1 sales/6 months quota	PTD earned
6 Months	M1 thru M2	M1 thru M2 sales/6 months quota	PTD earned less PTD payment
6 Months	M1 thru M3	M1 thru M3 sales/6 months quota	PTD earned less PTD payments
6 Months	M1 thru M4	M1 thru M4 sales/6 months quota	PTD earned less PTD payments
6 Months	M1 thru M5	M1 thru M5 sales/6 months quota	PTD earned less PTD payments
6 Months	M1 thru M6	M1 thru M6 sales/6 months quota	PTD earned less PTD payments

*Not to exceed identified plan cap

WEIGHTED AVERAGE METHODOLOGY

For specifically identified Sales Plans, the calculation of incentive earnings is based on weighted average attainment of two or more Plan Components. This approach is a departure from traditional incentive earnings calculation methodology whereby incentive earnings for each Plan Component are calculated and accelerated independently. TSG incentive earnings are calculated using Weighted Average Methodology as follows:

- Attainment is tracked and determined separately for each Plan Component.
- Incentive earnings are determined for the combined Plan based on weight of each Plan Component within the Sales Plan Components.

Example:

EAM PLAN:		CALCULATION:
Plan Components:	50% Top Line; 50% PMM	M#1 weight X attainment plus M#2 weight X attainment: (.50 x .75) + (.50 x 1.05) = .90 (90% weighted average attainment)
POE:	150%	
Period TIA:	$15K	Factors applied to weighted average attainment at the appropriate breakpoints:
Performance for Top Line metric:	75%	(.60 x .50) + (.30 x 1.75) = .825 (basis for calculation of incentive earnings)
Performance for PMM metric:	105%	Earnings calculation: .825 x $15,000 = $12,375

NOTE: For FSO Plan Components, incentive earnings are calculated separately in accordance with documented FSO slope and accelerator schedules.

FOCUSED SALES OBJECTIVES (FSO)

Eligible incentive employees may view their individual FSO goals and related calculations on the Americas Sales Compensation website: http://americas-sales-comp.corp.hp.com/

FSO definitions must be submitted at the beginning of a performance period. If an FSO payment approval is not submitted within the deadlines outlined in the FSO Process Guidelines, payment to the employee will be delayed to a future pay cycle.

Incentive Pay Mechanics

NEW TO SALES

New hires or employees transferring from another function into sales (if hired or transferred within the month/quarter) are treated as follows:

- Base + 100% target incentive paid for the period from date of hire to month they become active in assigned sales specialty.
- Paid via "NEW" Sales Specialty Code from date incentive job code is assigned until active in incentive plan. The standard timeframe for payment at 100% target incentive is 2 full calendar months, or until required business training is complete. Partial months for employees hired mid-month will also be paid at 100% target incentive. Payment of 100% target incentive for periods longer than 2 full calendar months (for reasons other than required business training) must be reviewed and approved per the Americas SCO Delegation of Authority policy.
- May be assigned to incentive plan as early as the first of the month following payment at 100% target incentive (whether on quarterly, semi-annual or annual plan).
- Employees hiring into or transferring into sales roles can only be assigned to sales incentive plans at the first of a given month. Partial months prior to assigned effective date will be paid as "new" at 100% target incentive.
- If the first of the month falls on a weekend or holiday, incentive plan assignments are effective for the full month.

Example: Hire date is February 11. Incentive plan start date could be March 1 (following month), April 1 (after one full month at 100% TIA payment), or May 1 (after two full months at 100% TIA payment). February 11 through February 28 will automatically be paid at 100% target incentive.

NOTE: This methodology applies to automated and manually administered plans.

PAYMENT AT 100% TIA

Some business situations may warrant payment of base pay plus 100% target incentive. For payment of 100% TIA (for situations other than "New to Sales" explained above) approval is required per the Americas SCO Delegation of Authority policy. The Americas Sales Compensation Organization is responsible for submitting such requests to the Americas E2E Sales Compensation Core Team for exception review.

OVERTIME FOR NON-EXEMPT WAGE CLASS

The U.S. Fair Labor Standards Act (FLSA) and applicable Canadian law mandate that base pay plus earned incentives be used to determine the appropriate hourly rate for overtime hours worked each month. All incentive pay (including draws, bonuses, SPIFs, etc.) qualifies for overtime calculation. Total standard hours worked will be added to total overtime hours worked to determine an appropriate hourly rate. The payroll system will pay standard and overtime hours worked at base rate; the Americas Sales Compensation Operations Organization will calculate and submit an overtime adjustment to Payroll on a monthly basis for the incentive portion of overtime pay.

CHANGES TO PAY OR JOB CODE OR STANDARD HOURS

All changes in base pay, target pay, job code, or standard hours originate from the manager of the employee and must be submitted to Human Resources for approval.

SALARY INCREASES

Base salary increases do not impact incentive pay.

PROMOTIONS

All promotions:

- Change job code
- Impact target incentives
- May impact Sales Specialty Code
- Will change the applicable Sales Specialty code on the first of the following month if promotion is effective mid-month

Incentive pay changes applicable for promotions will be reflected in the first monthly pay cycle following the effective date of the promotion.

ADJUSTMENTS

Each Sales Plan is effective for a specified timeframe (performance period). If an employee participates in a plan for less than the performance period, target incentive amount, goals and incentive pay may be adjusted. Additional details pertaining to FSO proration are contained in the "FY2006 FSO Process Guidelines." All incentive payments, including adjusted payments, are processed per the standard pay cycles, unless otherwise required by law. The following table lists various conditions and how individual situations will affect incentive pay. Adjustments are calculated in whole month increments unless otherwise specified.

NOTE: In all scenarios outlined below, the plan cap noted in an employee's Sales Plan would be calculated based upon adjusted TIA, and based upon number of months employee participated in Sales Plan.

ADJUSTMENTS	
Scenario	**Effect on Incentive Compensation**
Transfers Transfers to an eligible sales assignment after the start of the performance period from a non-sales position	▪ Goals are set and incentives are prorated based on effective month employee became active in the incentive plan. ▪ Employee receives credits starting first full month on the plan.
New Sales Role Change to Sales Plan or Sales Specialty (Change from one sales role to another sales role)	▪ Both assignments are treated separately to determine the performance levels. ▪ Incentives (TIA, goals and pay) are prorated based on the number of full months in each assignment. ▪ In the case of Services Renewals, a review of the recalculated incentives will occur before payment to ensure equity due to seasonality. ▪ In the event of a change to Sales Specialty, but no change to account assignment, a review will occur before payment to ensure equity. ▪ Receive credit through the month assignment ends, then new assignment begins first of following month. ▪ Receive earned FSO attainment based on both plans. The employee's prior and current sales managers may have to coordinate a combined FSO payment for results achieved.
Short Term Disability (STD) Leave of absence less than or equal to 26 weeks (U.S.: includes Maternity Leave)	▪ In the U.S., employee is paid 100% target pay (base pay + TIA) for weeks 1-8 and 75% target pay for weeks 9-26. These monies are distributed by HP's U.S. disability vendor. Incentives are temporarily held until employee returns to work or terminates from HP. The terms of HP's STD policy will govern. ▪ In Canada an employee is paid 100% target pay (base pay + TIA) for up to 26 weeks. These monies are distributed by the Canadian STD vendor. The terms of HP's Canada STD policy will govern. ▪ Employee continues to be eligible for incentive pay for 90 calendar days within the STD period, if incentives earned are greater than disability benefit paid. If the STD extends beyond 90 calendar days, the opportunity to earn additional incentives above the value of the disability benefit ceases as of calendar day 91. ▪ Should the incentive plan be in a draw payment cycle prior to the STD, prorated draws may be paid. After the STD begins, no draw is paid.

ADJUSTMENTS	
Scenario	**Effect on Incentive Compensation**
Short Term Disability (STD) (Continued)	▪ Sales Management may elect to reassign quota/credit if business is critical. ▪ If quota is reassigned, payments will be prorated based upon number of months employee is in Active Status in the performance period prior to start of leave. Payment will be distributed as soon as incentives are calculated on next pay cycle. ▪ In the event an employee goes on STD and is not yet active in a Sales Plan, employee will receive applicable TIA percentage only until STD period ends. ▪ Vacation time taken immediately following a STD does not count as active selling time. ▪ Upon return to active selling, incentives earned while on STD are reviewed and compared to TIA paid. If incentives earned exceed TIA paid, the differential is paid, provided leave is less than 90 calendar days. ▪ Employees paid on an incentive plan with a sales performance component returning from a leave longer than 90 calendar days to an incentive assignment will have incentives recalculated for the period prior to the LOA. ▪ Upon return from leave, no proration of previously paid FSOs will occur. ▪ If the employee is placed on 100% TIA upon return, a recalculation of prior period performance will occur. ▪ If an employee returns from leave mid-month and remained active in a quota-carrying sales specialty, the employee is paid base salary plus 100% TIA, prorated for days worked in month of return. If employee was removed from his/her Sales Plan for the period of STD, reassignment of the employee to an incentive plan occurs at the start of the first full month upon return. This proration methodology applies to employees returning from leave in the same plan period or a new plan period. ▪ Employees whose STD payments exceed incentives earned may carry a temporary liability until the performance period is final.
Long Term Disability (LTD) Leave of absence greater than 26 weeks	▪ During the LTD period, the individual is removed from the incentive plan and quota/credits are reassigned; therefore no incentive pay is due. ▪ Incentive payments are prorated for time assigned to an active selling sales specialty. ▪ Upon return from leave, no proration of previously paid FSOs will occur.

ADJUSTMENTS	
Scenario	**Effect on Incentive Compensation**
Long Term Disability (LTD) (Continued)	▪ If an employee returns from leave mid-month the employee is paid base salary plus 100% TIA, prorated for days worked in month of return. Reassignment of the employee to an incentive plan occurs at the start of the first full month upon return. This proration methodology applies to employees returning from leave in the same plan period or a new plan period.
Statutory Family Medical LOA (FMLA) Leave of absence (up to 12 cumulative weeks in U.S., or such period as is provided in Canadian legislation, as applicable) for certain medical and family related circumstances. **NOTE:** For situations where FMLA time is granted for non-consecutive periods, employee should discuss treatment of incentive pay with his/her Sales Manager and Americas SCO Management team.	▪ Employee is not eligible for any incentive pay while on FMLA unless employee also qualifies for STD benefits. ▪ Credits for the month FMLA begins may continue to post and any incentives due for the period prior to the FMLA will be paid on the regular pay cycle until the close of the performance.. ▪ Should the incentive plan be in a draw payment cycle prior to the FMLA, draws to date of FMLA commencement may be paid. After the FMLA begins, no draw is paid. ▪ Sales Management may elect to reassign quota/credit if business is critical. ▪ If quota is reassigned, payments will be based upon number of months employee is active in the performance period prior to start of leave. Payment will be distributed as soon as incentives are calculated on next pay cycle. ▪ Vacation time taken immediately following a FMLA does not count as active selling time. ▪ Employees paid on an incentive plan with a sales performance component returning from a leave longer than 90 calendar days to an incentive assignment will have incentives recalculated for the period prior to the LOA. ▪ Upon return from leave, no proration of previously paid FSOs will occur. ▪ If the employee is placed on 100% TIA upon return, a recalculation of prior period performance will occur. ▪ If an employee returns from leave mid-month and remained active in a quota-carrying sales specialty, the employee is paid base salary plus 100% TIA, based on days worked in month of return. If employee was removed from his/her Sales Plan for the period of FMLA, reassignment of the employee to an incentive plan occurs at the start of the first full month upon return. This methodology applies to employees returning from leave in the same plan period or a new plan period.

ADJUSTMENTS	
Scenario	**Effect on Incentive Compensation**
Military LOA (U.S. Only) Leave of absence for enlistment or call to the U.S. military services (including annual training).	▪ While on military leave of absence, HP provides the difference between pay received from the U.S. government and the employee's full target pay for the period of leave, up to a lifetime cumulative total of five (5) years of active duty leave. ▪ For military leaves longer than 30 calendar days, employee will be removed from assigned Sales Plan and will be paid 100% TIA for the duration of the leave, up to the lifetime cumulative total of five (5) years of active duty leave. ▪ While on military duty for annual training (14 days or less per calendar year), employee will remain on assigned Sales Plan and will receive all corresponding incentives. ▪ Refer to: http://hrcms01.atl.hp.com:6017/public/pages/home/en_US/index.htm for additional details. If you have questions, consult with your immediate manager and/or HR Representative. ▪ Employees paid on an incentive plan with a sales performance component returning from a leave within the same fiscal year to an incentive assignment will have incentives recalculated for the period prior to the LOA. ▪ If the employee is placed on 100% TIA upon return within the same fiscal year, a recalculation of prior period performance will occur. ▪ Upon return from leave, no proration of previously paid FSOs will occur. ▪ If an employee returns from leave mid-month and resumes selling role in a quota-carrying sales specialty, the employee is paid base salary plus 100% TIA, prorated for days worked in month of return. If employee was removed from his/her Sales Plan for the period of LOA, reassignment of the employee to an incentive plan will be reviewed based on the duration of leave.

ADJUSTMENTS	
Scenario	**Effect on Incentive Compensation**
Pregnancy/Parental/Maternity Leave **(Canada Only)** Leave of absence up to one year due to birth of child.	▪ As the incentive plan is based on sales performance, employees on unpaid leaves of absence, including pregnancy/parental/maternity leave, do not receive incentive pay for the duration of the absence, except as provided in HP's policy regarding income continuation during pregnancy/parental leave. ▪ An employee on a pregnancy/parental/maternity leave accrues credits for the month in which the leave begins, and such credits continue to post and any incentives due for the period prior to the leave period will be paid on the regular pay cycle until the close of the performance period. ▪ Should the incentive plan be in a draw payment cycle prior to the leave, draws may be paid respecting the period up to the month in which the leave commences. After the leave begins, no draw is paid. ▪ Sales Management may elect to reassign quota/credit if business is critical. ▪ Vacation time taken immediately following a leave does not count as active selling time. ▪ Employees paid on an incentive plan with a sales performance component returning from a leave longer than 90 calendar days to an incentive assignment will have incentives recalculated for the period prior to the leave. ▪ Upon return from leave, no adjustment of previously paid FSOs will occur. ▪ If the employee is placed on 100% TIA upon return, a recalculation of prior period performance will occur. ▪ If an employee returns from leave mid-month, the employee is paid base salary plus 100% TIA, based on the number of days worked in month of return. Reassignment of the employee to an incentive plan occurs at the start of the first full month upon return.
Personal LOA Leave of absence up to one year to accommodate circumstances not covered by other time off options.	▪ If the employee elects to take a Personal LOA, the performance period will end and incentives will not be prorated. ▪ Credits for the month Personal LOA begins may continue to post and any incentives due for the period prior to the leave period will be paid on the regular pay cycle until the close of the performance period.

ADJUSTMENTS	
Scenario	**Effect on Incentive Compensation**
Personal LOA (Continued)	▪ Should the incentive plan be in a draw payment cycle prior to Personal LOA, adjusted draws may be paid based on time spent in Active Status. After the Personal LOA begins, no draw is paid. ▪ Sales Management may elect to reassign quota/credit if business is critical. ▪ Vacation time taken immediately following a Personal LOA does not count as active selling time. ▪ Employees paid on an incentive plan with a sales performance component returning from a leave longer than 90 calendar days to an incentive assignment will have incentives recalculated for the period prior to the LOA. ▪ Upon return from leave, no adjustment of previously paid FSOs will occur. ▪ If the employee is placed on 100% TIA upon return, a recalculation of prior period performance will occur. ▪ If an employee returns from leave mid-month, the employee is paid base salary plus 100% TIA, prorated for days worked in month of return. Reassignment of the employee to an incentive plan occurs at the start of the first full month upon return.
Terminations Leave the company voluntarily or involuntarily (**NOTE:** Refer to following section for Workforce Restructuring.)	▪ Sales performance incentives are not prorated. Full plan period rates and full plan period goals are used for incentive calculation per goal sheet. Terminated employees will receive credits through to end of month in which they cease being on Active Status. ▪ Payments for FSO incentives are prorated to end of month in which employee ceases being on Active Status. For unsubmitted FSOs, 100% of the FSO TIA will be paid. ▪ Should the incentive plan be in a draw payment cycle at end of month in which employee ceases being on Active Status, draw payments will not apply. ▪ Credits that occur within the month in which employee ceases being on Active Status may continue to post and any incentives due generally will be paid on the regular pay cycle until the close of the performance period. ▪ Individuals terminating prior to the assignment and acknowledgement of a goal sheet will be paid at 100% of the target incentive for the sales performance component (prorated for the period of Active Status).

ADJUSTMENTS	
Scenario	**Effect on Incentive Compensation**
Terminations (Continued)	▪ Incentive payment will be reduced by any outstanding liabilities as permitted by law. ▪ Vacation taken after term notice does not count as active selling period. ▪ It is the manager's responsibility to notify Americas SCO immediately upon a sales employee's termination so that any outstanding liability can be addressed.
Workforce Restructuring (WFR)	▪ Employees placed on WFR will be paid at 100% TIA during the 9-week Salary Continuation period, provided the employee remains eligible to receive salary continuation. ▪ The 9-week Salary Continuation period begins on the first business day following employee's release into the WFR program. ▪ If earned incentives for month in which employee is released into the WFR program overlap with the 9 week period, employee will be paid 100% TIA, or actual incentives, whichever is greater. ▪ If a 4-week Redeployment period precedes the 9-week WFR period, the Redeployment period is treated as active selling time and employee remains on assigned comp plan. **Example:** If release date is August 15, credits are applied and incentives are calculated through August 31. These 16 days count toward the 9-week Salary Continuation Period. If employee has earned more than 100% TIA for the month of August, actual incentives earned are paid. If employee earns less than 100% TIA for August, 100% TIA is paid. ▪ Sales performance incentives are not prorated. Full plan period rates and full plan period goals apply per goal sheet. Credits are applied in full month increments, through month of release.* ▪ Payments for FSO incentives are prorated through month of release.* For un-submitted and/or un-acknowledged FSOs, 100% of the FSO TIA will be paid. ▪ Should the incentive plan be in a draw payment cycle when release occurs, draw payments will not apply. ▪ Credits that occur within the month of release* may continue to post and any incentives due generally will be paid on the regular pay cycle until the close of the performance. ▪ Individuals notified prior to the assignment or acknowledgement of a goal sheet will be paid at 100% of TIA (prorated for the period of Active Status). * If release date falls on the first business day of a month, employee is entitled only to corresponding incentives earned through the last day of month of WFR notification.

Incentive Pay Mechanics

ADJUSTMENTS	
Scenario	**Effect on Incentive Compensation**
Workforce Restructuring (WFR) (Continued)	▪ Incentive payments (including 100% TIA payments during 9 week period) will be reduced by any outstanding liabilities. ▪ It is the manager's responsibility to notify Americas SCO immediately upon a sales employee's termination so that any outstanding liability can be addressed. **Example:** If release date is August 1, employee will be moved to "left" sales specialty effective August 1 and paid incentives earned through July 31.
Transfers to Non-Sales Positions	▪ Requires job code change and base salary adjustment. ▪ Incentives (TIA, goals and pay) are not prorated. ▪ Employee receives credit through the month sales assignment ends. ▪ Employee receives earned FSO attainment based on active sales period. ▪ For involuntary transfers to non-sales positions, proration will be reviewed on a case-by-case basis. ▪ It is the manager's responsibility to notify Americas SCO immediately upon a sales employee's transfer so that any outstanding liability can be addressed.
Adjustments to Sales Assignments – Coverage for Inactive Incentive Employees If it is determined that additional compensation is appropriate for an incentive employee covering an assignment for an inactive employee, the following will apply:	▪ Each situation requires review by Sales Management and the aligned SCO Segment Account Consultant and may involve discussions with Human Resources. ▪ When an incentive employee becomes inactive for a period of time or terminates from HP, sales assignments of other incentive employees may be temporarily or permanently adjusted to accommodate coverage of territory or account. ▪ Goals of incentive employees who cover the assignment of the inactive employee may be modified to accommodate the change in assignment. ▪ No mid-month adjustment will be made. All adjustments will be effective on the first of a month.
Part-Time Employees	▪ Any incentive employee who works 20-39 hours per week on a regular basis is considered part-time and compensation (base salary and incentive pay) is prorated accordingly. ▪ Any change to Standard Hours worked during a performance period will require a plan re-start. Sales performance incentives will be prorated for each period. Previously paid FSOs will not be recalculated.

RETROACTIVE PLAN ASSIGNMENTS

Retroactive incentive plan assignments are not performed. It is a manager's responsibility to ensure that his/her incentive employees are assigned to the appropriate incentive plan, prior to the appropriate effective date.

NEW PLANS OR PLAN MODIFICATIONS – MID-PERFORMANCE PERIOD

After a performance period has been initiated, there may be a business need to change the characteristics of an incentive plan, discontinue a plan or create a new plan for the remainder of the performance period. Examples include, but are not limited to: changes to product lines defined in the incentive plan; changes to incentive mix; and changes to the weight of sales performance vs. FSO. Executive Sales Managers should involve their Americas Business Group Sales Incentive Design Lead to carefully evaluate the impact of making such changes. Approval from Sales Vice President and Americas E2E Sales Compensation Core Team is required for such changes. Changes to incentive plans, or discontinuation of plans, are not implemented retroactively, but may be implemented at any time without advance notice.

ADJUSTMENTS TO SALES ASSIGNMENTS – MID-PERFORMANCE PERIOD

Adjustments to sales assignments in the middle of a performance period require review by Sales Management and the aligned SCO Segment Account Consultant. Performance for the new assignment is calculated based upon the effective date of adjustment and is added to existing assignment. No mid-month adjustment will be made. All adjustments will be effective on the first of a month.

ADJUSTMENTS TO TARGETS (QUOTA) – MID-PERFORMANCE PERIOD (U.S. ONLY)

Adjustments (higher or lower) to sales targets in the middle of a performance period require review by committee (Americas E2E Sales Compensation, SCO, Americas Finance, Sales Incentive Design and relevant business unit representation). Performance is treated separately for the period of original target and the period of adjusted target based upon the effective date of the adjustment. All adjustments will be effective on the first of a month and a new goal sheet is provided for sales employee acknowledgment. Retroactive quota increases are performed for administrative errors only.

Draw

DEFINITION OF DRAW

Draw is a cash advance paid to incentive employees in anticipation of incentives to be earned. It is a liability of the employee and is fully recoverable from all earned incentives, including residual incentives, bonuses and SPIFs. Draws are paid on the standard incentive pay schedule. There is a one-month lag in paying draw for a given business month. For example, November's draw will be paid in December. Draws are taxed the same as incentives and are benefit-eligible.

ELIGIBILITY FOR DRAW

HP may use the "draw" methodology to temporarily issue incentive pay under the following conditions:

- Business conditions warrant supplementing incentive pay until normal conditions return.
- System issues prevent normal incentives from being calculated.

Sales Management and the Americas Sales Compensation Organization, in a joint decision, approve draws. When business conditions warrant, HP may opt to issue draws at the beginning of a performance period. The draw is aligned with an incentive plan; therefore, all employees on that plan would receive the draw.

DRAW PAYMENTS

Draw payments are made using one of the following methods. Refer to the Americas SCO website (http://americas-sales-comp.corp.hp.com/) for the payment schedule for your sales incentive plan.

Payment Method	How Incentives Are Paid
Draw Only	**Example: Annual Plan with TIA of $21,600 and 75% draw** Monthly TIA = $1,800 ($21,600/12) Monthly Draw = $1,350 ($1,800*75%)
Draw/Incentive May be implemented for all employees on a plan under the following conditions: ▪ New hires or transfers who join a plan that is currently in a draw/incentive period. ▪ All draw/incentive scenarios require approval from the Americas Sales Compensation Organization.	A combination of incentives earned and supplemental draw is paid. Supplemental draw is paid if incentives earned are less than monthly draw amount. All incentives earned are paid. (Refer to TIA and Draw information above.) Example 1 / Example 2 **Incentives Earned** $1,000 / $1350 **Supplemental Draw** $ 350 / $ 0 **Total Payment** $1,350 / $1350
Incentive Only	The draw period has expired. Full incentives earned less any outstanding liabilities are paid.

Draw

DRAW CALCULATION

Draws are always paid in one-month increments using a percent of target incentive amount (TIA) deemed appropriate by the business.

Draw Calculation – New Year Start-Up

During a Draw Only calculation period at new year start-up, monthly TIA is multiplied by the approved draw percentage to determine payment.

DRAW RECOVERY

Draws that begin in one month and are set to pay out for a given period can be recovered prior to the end of that period, if enough incentives are earned to both satisfy the draw balance and still keep the monthly incentive earnings above the draw setting.

At the end of the defined period that a draw is paid, any draw balances are recovered in full from future incentives earned, including bonus and SPIF payments. Incentive payments will not be issued until draw balance is fully repaid. Amounts owed from a draw that cannot be collected during one performance period will be carried over into the next performance period, until recovered. This includes crossing into the next fiscal year, if necessary.

Draws are not deducted from base pay, unless there are no incentives due for an extended period of time, and the employee consents to having base pay reduced.

Liability

Liability (draw or overpayment) is incurred when incentives are paid but not earned. Incentive employees are responsible for all liability to HP. Some conditions that cause liability are:

- Draw paid exceeds incentives earned to date.
- Reversal of a previously applied credit due to cancellation or administrative error.
- Negative carry-over from a prior performance period or fiscal year.

It is the responsibility of every incentive employee to review crediting on a monthly basis and report errors to the SCO Sales Support Center and sales manager. Regular and timely review of crediting can help avoid unnecessary overpayment conditions.

NEGATIVE INCENTIVES

All negative transactions, (including but not limited to cancellations, returned products, and corrections to quota) will reduce the period-to-date quota performance in the current performance period and will be included in the sales performance incentive pay calculation. All negative transactions from the prior performance period will also be treated as negative performance in the month in which the negative transaction occurs and be included in the sales performance incentive pay calculation.

When an order that ships late in the performance period is subsequently canceled in the next performance period, negative incentives will be calculated using the current incentive plan. This means formulas used for the negative transaction may be different from those used for the original incentive payment.

Incentive liabilities will be carried over into the next performance period if not satisfied by the end of the prior period. This includes crossing into the next fiscal year, if necessary. However, in the U.S., if the liability is greater than 20% of the current annual TIA, the employee will be required to promptly repay the after tax (net) amount of the overpayment in a lump sum. If a liability is carried from one calendar year to the next, repayment is based on the before-tax (gross) amount. Once the performance period has closed, employees who have left an assignment (transfer or termination) will be required to repay the negative amount in full to the extent permitted by law. It is the manager's responsibility to notify Americas Sales Compensation Operations immediately upon a sales employee's transfer or termination so that any outstanding liability can be addressed.

REPAYMENT

Typically, liability is repaid from future incentives earned, including bonus and SPIF payments. However, prompt repayment will be required at times and must be recouped before distribution of W2's/T4's to prevent tax implications. Payment options can be discussed with Sales Manager, HR and Americas Sales Compensation Operations when any of the the following conditions exist:

- Transfer or Termination from incentive position. (100% of liability is due back to HP in this case.)
- HP gives incentive employee notice to leave the plan.
- Outstanding liability balance greater than 20% of the current annual TIA. (Employee will be required to repay, at a minimum, the portion of the liability amount which exceeds 20% of annual TIA.)

Example: Annual TIA = $18,500. Total Liability = $20,000. The expected (gross) repayment would be $16,300 while remaining $3700 can be recouped from future incentives. This option is not available if incentive employee transfers or terminates from an incentive position.

Liability

When an incentive employee leaves the plan, Americas Sales Compensation Operations will address outstanding liability balances. Contact the SCO Sales Support Center for your current Incentive Statement (includes current liability) and any liability not yet recorded.

Incentive Performance Review

Incentive performance is subject to periodic review for performance significantly above or below target. Performance significantly below target may be monitored by Sales Management and Sales Management may request additional research from the Americas Sales Compensation Operations (SCO) Organization as required to evaluate such below target performance. For attainment levels of less than 50%, the employee's direct Sales Management should raise any concerns to the Sales Vice President.

HP has implemented a Performance Review Process to evaluate earnings paid significantly above target. This process complies with HP's Pay for Performance philosophy and is considered fair and equitable for both employees and HP. The respective Sales Vice President and Segment Finance Manager are responsible for reviewing and approving performance once an employee's incentive earnings reach the pre-established thresholds. Each sales organization has the option to establish reviews at lower levels of payout or increase the frequency of the review. Human Resources may be involved to review/approve requests for a payment cap or payment hold, if warranted, to prevent a liability later.

More details regarding incentive performance reviews can be found on the Americas SCO website under the "Policies" menu: http://americas-sales-comp.corp.hp.com

As always, in this rapidly changing environment, Hewlett-Packard reserves the right to amend any aspect of an incentive employee's sales compensation, including (but not limited to): mix of base and incentive pay; assignment, addition or deletion of designated accounts; and/or increase or decrease of corresponding quota and sales objectives.

Appendix A: Incentive Pay Definitions

For the purpose of this policy as well as related documents, the following definitions apply:

Accelerator	The rate(s) (percent of Target Incentive Amount) paid for every 1% of quota achieved above 100% quota performance.
Active Status	Employee is actively working for and providing services to HP. Employee is not on Active Status if he/she is in receipt of pay in lieu of notice of termination or resignation.
Badge #, Employee ID	Unique identification number assigned to each employee.
Base Pay (Base Salary)	Fixed salary, "guaranteed" portion of total target pay. Base salary is intended to compensate for overall job responsibilities.
Benefit-Eligible	Incentive compensation that applies toward corporate benefits.
Bonus	A payment, on-top of On Target Earnings, awarded for accomplishing pre-determined objectives.
Cap	The maximum total incentive compensation a sales employee can earn in a given period. A cap may apply to specific incentive components or to overall incentive compensation.
Cumulative Period to Date Performance Period	Cumulative period to date sales are compared to cumulative period to date quota
Draw	Recoverable payment of incentive compensation paid in anticipation of future performance.
Draw/Incentive	A combination of incentives earned and supplemental draw. Supplemental draw is paid if incentives earned are less than monthly draw amount. All incentives earned are paid.
Focused Sales Objective (FSO)	Strategic performance measure used to address a complex selling environment that requires a balanced effort against multiple and varied objectives. FSOs provide incentive opportunities for performance against a set of specific, individualized objectives. Measures typically involve product mix, customer mix, number of new accounts, or other measurable goals.
Goal	A sales objective used to measure performance for calculation of incentive pay. A goal may be expressed as quota or FSO.
Incentive Plan Component	A defined element of an incentive plan, such as Quota-based sales performance, FSOs, which may include On Top Bonus..
Incentive Pay	Variable pay dependent on performance vs. goal. Incentive pay provides an opportunity to earn above base salary and includes one or more incentive components.
Incentive Weighting	The incentive weighting defines how much of the total incentive pay is assigned to a particular incentive component. For example, in a plan with a TIA of $30,000, 75% or $24,000 may be weighted as a sales performance measurement and 25% or $6,000 weighted as FSO. The sales performance portion may also be weighted by business focus.
Job Code	A 6-digit code that is role-specific and controls the mix of base pay and Target Incentive Amount (TIA) by country in human resource and compensation systems.
Leverage (Mix)	Ratio of base salary and target incentive to On Target Earnings.
Liability	Amount to be recovered from incentives for overpayments or draw.
Multiplier	The rate(s) (percent of Target Incentive Amount) paid for every 1% of quota achieved. Multipliers apply to under 100% performance (slope) as well as over 100% performance (accelerator).

Appendix A: Incentive Pay Definitions

Sales Specialty Code	A unique designator identifying a specific incentive plan used to invoke specific compensation formulas and crediting rules.
On Target Earnings (OTE)	Total annual pay for incentive employee at 100% goal attainment. Sum of base pay and 100% target incentive equals OTE.
Performance Measure	The specific criteria (e.g. product groups), identified on Sales Plan document or communication, used to measure a sales performance or FSO incentive component.
Performance Period	The time span over which performance is measured for incentive purposes.
Period to Date (PTD) Performance Period	Cumulative period to date sales are compared to the total period quota to pay incentives. For example, in month four of the performance period the first four months' sales performance is measured against the full six months' quota.
Personal Information Page **(U.S. ONLY)**	Personalized page on U.S. Sales Compensation website which provides incentive employees one stop shopping for key incentive compensation elements such as Comp Plan, Credit Plan, Cash Calculator, Incentive Statements, Goalsheet, and sales assignment.
Quota	A pre-determined sales goal assigned to an individual or team.
Ramp	The point at which the acceleration changes from one percent to another.
Roll-off Point	The point at which the acceleration rate levels off to pay 1:1.
Sales Organization	A group of Sales Representatives and Sales Management whose common goal is to maximize HP's sales in a defined market segment.
Sales Performance	The amount of sales achieved in a defined performance period. Sales performance is expressed as a percent of performance period quota.
Sales Performance Component	Incentive compensation component that includes a quota measure.
Slope	The rate(s) (percent of TIA) paid for every 1% of quota achieved below 100% quota performance.
Special Incentive for Focus (SPIF)	A contest or other competitive scenario, with a defined beginning and end date, offered to the sales force to meet a unique, short-term (quarterly) need in plan emphasis or sales focus.
Target Incentive Amount (TIA)	Amount of incentive opportunity paid at 100% goal attainment. Actual incentives earned may be more or less than TIA.
Target Incentive Pay	Incentive pay at 100% goal attainment.
Threshold	Minimum level of performance that must be achieved before an incentive will be paid.
Top Line Metric	"Top Line" is a term often found in Accounting or Finance disciplines and refers to the top line of a financial statement where one would find revenues, shipments, or orders, depending on the unit of measure being used by the company. For use within the pay plans developed by the Compensation Organization, the term is used to encompass any of these measures (revenues, shipments, orders) depending on the organization within HP and what their quota metric reflects.
Total Compensation	Sum of base pay and actual incentive pay earned.
Upside	Incentive pay opportunity that is in excess of On Target Earnings (OTE).
Variable Compensation	Includes any compensation component linked to target incentive, overachievement, bonuses, and other sales recognition
Weighted Averaging	An approach for arriving at overall performance by calculating the separate metric achievements on a given pay plan, and then applying the weight of the respective metric to that performance. The appropriate performance range factors are then applied to this weighted average performance, to arrive at a payout amount.

Appendix B: Documents Associated With Incentive Compensation

In addition to this Compensation Policy, there are a variety of documents which govern incentive pay and assist incentive employees in understanding their pay; all of which can be found on the Incentive Compensation website.

Bonus and SPIF Program Documentation	All approved bonus and SPIF programs are documented under the Sales Force Toolkit on the Americas SCO website: http://americas-sales-comp.corp.hp.com/
Americas Sales Compensation (SCO) Website	Please refer to the Americas SCO website: http://americas-sales-comp.corp.hp.com/ for additional materials that pertain to incentive pay.
FSO Application **(U.S. ONLY)**	This web tool is used to describe an incentive employee's strategic objectives (for employees with a FSO component). For set up, approval and acknowledgement of goals and attainments, the tool is accessible from the Sales Force Toolkit on the Americas SCO website: http://americas-sales-comp.corp.hp.com/
Goal Sheet	This document describes an incentive employee's performance goals based on sales specialty for a defined performance period.
Personal Information Page **(U.S. ONLY)**	Personalized information specific to sales individual for their speciality, rostering, sales assignment, Sales Plan document, etc..
U.S. Sales Incentive Credit and Compensation Plan **(U.S. ONLY)** (also referred to as "Sales Plan")	This document describes incentive components for specified sales specialties. The Sales Plan document includes performance period, performance measures, incentive weight of each component, source feeds, bonus opportunities, acceleration rates and calculations.
North America Sales Credit Implementation Guidelines	http://americas-sales-comp.corp.hp.com/
U.S. Sales Compensation Incentive Credit Reference	This document provides additional details on information included in the U.S. Sales Incentive Credit and Compensation Plan document.

Appendix C: Revision History

FY06 NORTH AMERICA SALES COMPENSATION
INCENTIVE PAY ADMINISTRATION POLICY
REVISION HISTORY

NOTE: All revisions to this policy must be authorized by Policy Sponsor.

Policy Sponsor: Becky Kidd, Americas SCO Director

Date	Version	Revision Notes
12/09/05	FY06 V1.0	First published FY06 North America Sales Compensation Incentive Pay Administration Policy.

EXHIBIT 3

Global Sales Compensation Incentive Pay Administration Policy

GLOBAL SALES COMPENSATION INCENTIVE PAY ADMINISTRATION POLICY HP Restricted			
Organization:	HP Worldwide E2E Sales Compensation	**Policy Number:**	HP062-01
Sponsor:	Tim Carley	**Revision:**	17-May-2006
Contact:	Ann Symes	**Effective Date:**	01-May-2006
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Location of Policy:	http://wwsalescomp.corp.hp.com/		

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TERMINOLOGY	Definitions of terminology frequently used, relative to incentive pay.
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GENERAL INFORMATION	
I. Policy Ownership	Ownership of this policy resides with the Worldwide End to End (E2E) Sales Compensation in coordination with Human Resources Compensation and Benefits, Legal, Finance and Business Controls resources in each business group and region.
II. Scope	This policy addresses sales compensation incentive pay administration topics for all HP employees assigned to a sales compensation plan in each business group. This policy is in effect beginning May 1, 2006 for 2H06 and future performance periods. This policy replaces any previous HP global or regional sales compensation incentive pay administration policies. Regional sales compensation pay administration policy supplements may be developed that cover topics not within the scope of this document, to clarify regional details or to document differences from global policy as approved by Worldwide E2E Sales Compensation.
III. Additional Information	All HP Sales Plans and this policy are classified as "HP Restricted" and are meant for internal use only. None of the contents in the Sales Plans, Worldwide Sales Credit Policy, this policy, nor regional policy supplements or guidelines shall be construed to imply the creation or existence of a contract between HP and any participant, nor a guarantee of employment for any specified period of time. No Sales Plan participant will have any right to monies accrued through the plan until and unless all terms, provisions, and conditions, as set forth in the assigned Sales Plan, have been met. HP reserves the right to adjust Sales Plans as may be necessary to address changing business conditions. HP reserves the right to change or discontinue this policy, with or without notice, at any time.
IV. Workers' Council Note	For countries that require consultation with workers' councils and/or other employee representatives, this policy is not intended to provide country specific information. Where required by law, specific items of this policy may be subject to consultation with workers' councils and/or other employee representatives.
V. Additional Reference	Following are sources of additional reference materials related to sales incentive pay. Sales employees are expected to review these materials and discuss any questions with sales management. Any changes or exceptions to these policies must be approved by the responsible organization.

Policy Reference	Web Address	Responsible Organization
Hewlett-Packard Sales Credit Policy (213.0100) and Order Acceptance Policy (215.0400)	http://customerops.corp.hp.com/policies	Worldwide Sales Support Operations/ Marketing Policy Manager
HP Human Resources global and local policies	http://athp.hp.com/portal/site/athp/menuitem.8db226267ca6ee9a0da96c32238f82f0/	HP Human Resources
Region and/or local sales compensation pay administration policy supplements and/or guidelines	Contact your Region or Local Sales Compensation Operations (SCO) Organization	Region or Local Sales Compensation Operations (SCO)

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VI. Policy Exceptions	The implementation timeline for portions of this policy may coincide with implementation of "Future State" sales compensation implementation; however, the policy is expected to be fully implemented by 1H07. Documented national or local laws may dictate exceptions to this policy. Consult the regional or local HP Legal Department to determine approved exceptions based on national or local laws. Exceptions to this policy (other than legal exceptions) must be approved in writing by Worldwide E2E Sales Compensation.
VII. Sales Plans and Incentive Pay Mechanics	Sales employees are paid a combination of fixed base pay (salary) and variable incentive pay. The combination of both of these primary elements constructs a sales employee's total sales compensation. The incentive pay portion of total sales compensation is determined by many factors. Job code and Sales Plan will determine the framework for a sales employee's incentive pay. Job codes denote job level, job function and job family. Job level defines a general description of typical skills and abilities needed for successful performance of a job within a job family. Sales Plans identify performance period, payment frequency, performance measures, incentive multipliers, incentive weighting, payment caps and calculation methodology used to calculate based on defined and measurable goals. Sales managers are responsible for ensuring their sales employees are assigned to the appropriate sales job code, job level and Sales Plan in the appropriate systems within published timelines. The following further explains the foundation of incentive pay and mechanics of the Sales Plan that determine the amount of an incentive payment. **Performance Period** The performance period is the time span over which performance is measured for incentive pay. A quarterly, semi-annual or annual performance period utilizes total period goals (For example: quota and/or Focused Sales Objectives) as the basis for performance measurement. After the performance period ends, period-to-date multipliers re-set for incentive pay calculations. **Payment Frequency** Payment frequency refers to how often an incentive payment is delivered to an employee. Payments predominantly occur on a monthly basis; however, there may be performance measures that by design only payout on a quarterly, semi-annual, or annual basis. The payment frequency that applies to each performance measure is contained in the Sales Plan for each sales employee. **Performance Measure** A performance measure is a defined element of a Sales Plan, such as quota-based sales performance, Focused Sales Objective (FSO), Bonus or Special Incentive for Focus (SPIF), or other performance measures such as margin performance or Total Customer Experience (TCE) and the specific criteria (e.g. product groups), identified on Sales Letter and/or Sales Plan, used to calculate incentive pay.

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Sales Goals

Sales goals are sales objectives assigned to sales employees at the beginning of a performance period. Sales goals determine the calculation of incentive pay for goal-based Sales Plan performance measures. A sales goal may be based on assigned quota or other performance measure. More information regarding how a sales employee's goals are communicated is available in the **Sales Letters** section of this policy.

Incentive Multipliers

Each performance measure within a Sales Plan has one or more defined incentive multipliers. Multipliers are applied depending on respective level of performance to deliver incentive pay at a defined rate for each identified threshold. Multipliers apply to under 100% performance (slope) as well as over 100% performance (accelerator). Attainment of 100% incentive performance will result in total payment of 100% of the TIA assigned to that performance measure.

An accelerated multiplier (accelerator) is applied to over-achievement performance (in excess of 100% goal attainment for the performance period) to deliver incentive pay at a higher rate. For example, if the accelerator is 3, the rep will receive 3% of the entire performance period's TIA for every 1% of quota achieved over 100% quota attainment. Accelerators are calculated based on upside potential and ramps set for top performers, so they may differ for various sales models and positions.

Accelerators may be "gated" in plans with single or multiple performance measures. A standard gate is a performance threshold that must be met before any accelerators will be paid. Accelerators for each performance measure may be deferred until the gate for each performance measure is met. Alternatively, each performance measure of a Sales Plan may offer standard and premium rate levels, based on meeting performance gates relative to embedded sub-quotas. Refer to the Sales Plan or Sales Letter for specific details.

Incentive Weighting

Incentive weighting defines how much of the total incentive pay is assigned to a particular performance measure of a Sales Plan. For example, in a plan with a TIA of $30,000, 75% or $22,500 may be weighted as a sales performance measurement and 25% or $7,500 weighted as FSO. The sales performance portion may also be weighted by business focus.

Payment Cap

TIA-based incentive pay may be capped in any given performance period based upon levels identified by Worldwide E2E Sales Compensation. The payment cap applies to total incentive earnings (exclusive of bonus and SPIF earnings) for the performance period. Some Sales Plans may contain cap(s) on specific performance measures and/or total Sales Plan performance. Refer to the Sales Plan and/or Sales Letter to determine the incentive payment cap(s) applicable to the Sales Plan.

Most bonus and SPIF compensation is subject to separate capping parameters. Cumulative bonus and SPIF earnings cannot exceed 50% of plan period TIA unless otherwise specified in published bonus program documentation.

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	If a sales employee changes Sales Plans within the performance period, the calculation of payment cap will be prorated for each Sales Plan. If a sales employee incurs a TIA change within the performance period, each TIA amount within the period will be averaged for purposes of accumulation to payment cap. **NOTE:** If the TIA-based payment cap is reached, credits and accumulated performance percents will continue to be reported.
	Sales Assignment The account and/or geographic range of coverage assigned to a sales employee for calculation of incentive pay.

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VIII. Incentive Pay Calculation Methodologies

A. Period-to-Date (PTD) Calculation Methodology

The actual performance attainment percentage is determined by dividing the cumulative period-to-date sales by the quota that applies to the entire performance period. For example, in the fifth month of a semi-annual performance period, sales for one performance measure for those five months will be measured against the semi-annual quota for that plan element. This percentage is then multiplied by the TIA allocated to this performance measure for the entire performance period.

Following is an example of period-to-date calculation for a monthly incentive payment frequency with a semi-annual performance period ("M" equals "month"):

Performance Period	Basis for Pay Calculation (Cumulative Sales)	Performance Calculation	Incentive Payment (Not to exceed identified plan cap)
6 Months	M1	M1 actuals/6 months quota	PTD earned
6 Months	M1 thru M2	M1 through M2 actuals /6 months quota	PTD earned less PTD payment
6 Months	M1 thru M3	M1 through M3 actuals /6 months quota	PTD earned less PTD payments
6 Months	M1 thru M4	M1 through M4 actuals /6 months quota	PTD earned less PTD payments
6 Months	M1 thru M5	M1 through M5 actuals /6 months quota	PTD earned less PTD payments
6 Months	M1 thru M6	M1 through M6 actuals /6 months quota	PTD earned less PTD payments

B. Weighted Performance Attainment Methodology

For the majority of Sales Plans, the calculation of incentive earnings is based on the average of weighted performance attainment of two or more performance measures. This is referred to as weighted performance attainment methodology. This approach is a departure from traditional incentive earnings calculation methodology (referred to as Independent Performance Attainment methodology) whereby incentive earnings for each performance measure are calculated and accelerated independently. It is expected that by 1H07, all Sales Plans will be calculated with weighted performance attainment methodology.

Performance attainment is tracked and determined separately for each performance measure. Incentive earnings are determined for the entire Sales Plan based on the weight of each performance measure within the Sales Plan.

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Example:

PLAN:		**CALCULATION:**
Performance Measures (PM):	50% Top Line; 25% PMM 25% FSO	PM#1 weight (x) attainment (+) PM#2 weight (x) attainment (+) PM#3 weight: (x) attainment: (.50 x .75) + (.25 x 1.05) + (.25 x .75) = .85 (85% weighted performance attainment) Factors applied to weighted performance attainment at the accelerator breakpoints [average performance (x) weight]: (.60 x .75) + (.25 x 1.375) = .794 (basis for calculation of incentive earnings) **Earnings calculation:** .794 x $15,000 = $11,906.25
Point of Excellence (POE):	150%	
Period TIA:	$15K	
Performance for Top Line metric:	75%	
Performance for Portfolio Mix Metric (PMM) metric:	105%	

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I. Global Sales Plan Design	The Worldwide End to End (E2E) Sales Compensation Governance Council defines the framework for HP Sales Plans. This framework is designed to promote consistency across HP through the application of a consistent incentive design methodology, while enabling flexibility to each business group/sales organization in the selection of unique compensation solutions for their field jobs. Exceptions to the defined framework must be approved by the Worldwide E2E Sales Compensation Organization. Similar jobs within a country, are treated similarly regarding eligibility for sales compensation, TIA, on-target compensation levels, pay mix and multipliers. Each sales organization is engaged to establish performance measures, including (but not limited to) payment formulas and caps, performance period, payment frequency, quota setting and sales assignment.
II. Sales Plan Eligibility	Sales employees must meet the following criteria to be eligible to participate in a Sales Plan: ▪ HP employee, assigned to an eligible sales job code in HP Human Resource system and working a minimum of 20 hours per week (unless on leave) ▪ Review and acknowledgement of Sales Plan and goals identified in Sales Letter
III. Sales Letters	**A. General Information** Generally, Sales Letters include the following information: ▪ Goals at the employee level for the performance period ▪ Employee's TIA (Some countries exclude this information, based on legal privacy issues.) ▪ Incentive pay mechanics and calculation methodology ▪ Sales crediting information ▪ Legal terms and conditions as may be required by applicable law **NOTE:** Sales Letters may be comprised of a combination of documentation. Within 10 calendar days of the start of a performance period, or after an employee is placed on a Sales Plan (new hire or internal transfer), it is expected that a Sales Letter will be issued to the sales employee. A Sales Letter may also be provided to a sales employee mid-performance period if Sales Plan changes occur. This may be done electronically or via mail depending on country legal requirements and system restrictions. Region E2E Sales Compensation owns publication of Sales Letters, including loading of country level or business quota into quota deployment tool. Sales managers are responsible to ensure goals are assigned, Sales Letters are accurate, and reviewed by their direct report sales employees. If a sales employee terminates from HP or transfers to a non-sales position prior to distribution of Sales Letter, 100% TIA (prorated for days worked) is paid. If a sales employee transfers to another sales role prior to distribution of Sales Letter, sales employee is paid based on performance for the original sales role of the performance

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	period. Refer to **VIII. Adjustments** section for more information on terminations and transfers. **B. Sales Letter Acknowledgement** Sales Letters will be provided (electronically, where possible) to all sales employees as early as possible in the plan performance period. It is the employees' responsibility to review and acknowledge their Sales Plan, including goals, and escalate any concerns to Sales Compensation Operations (SCO) and to their manager within 30 days of Sales Letter deployment. Where required by applicable law, an employee's written signature will be necessary to acknowledge receipt and/or acceptance of goals. The employee's manager must advise their regional SCO team in writing if there is a concern with the goals that requires research/action. While the issue is being resolved, the sales employee will be compensated per the Sales Letter (or continue with draw if in a draw period.) Final resolution of any such dispute is within the sole discretion of Region E2E Sales Compensation. If an employee does not escalate concerns within the 30-day period noted above, they will be deemed to have acknowledged their Sales Plan and goals. If a sales employee terminates from HP or transfers to a non-sales position prior to acknowledgement of distributed Sales Letter or prior to 30-day period, sales employee will be paid incentives due according to Sales Letter/Sales Plan. If a sales employee transfers to another sales role prior to acknowledgement, Sales Letters for original sales role and for new sales role must be acknowledged. Refer to **VIII. Adjustments** section for more information on terminations and transfers.

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IV. Bonus Programs	**A. Definition of Bonus Programs** On-top bonus (OTB) and Special Incentive for Focus (SPIF) programs offer opportunities to earn incentive pay over and above those identified within the Sales Plan. Bonus payments are defined as a percentage of TIA or as a fixed payment amount. On-top bonus programs are established at the beginning of a performance period to augment a key sales area and are integral elements of the Sales Plan. SPIF programs are developed and announced for implementation from time to time during the perfomance period to incent and reward special focus on a particular product, market, or desired sales behavior. SPIF programs typically involve contests or other competitive scenarios to meet a unique need within a short, specified period of time. **B. Design of Bonus Programs** On-top bonus and SPIF programs must be designed according to global Sales Plan design framework documented by the Corporate Sales Compensation Council, the Worldwide E2E Sales Compensation Governance Council and the appropriate Regional E2E Sales Compensation Organization. Following are primary criteria for bonus program design: • On-top bonus and SPIF programs are designed to compensate with cash incentives only. Merchandise (such as IPODs and gift cards), E-Awards and point-driven gift programs are not valid methods for compensating sales employees for meeting sales goals and will not be approved or supported by HP Sales Compensation. • Bonus payments may not be inflated to affect taxes due by sales employee. • Payments from a single bonus program may not exceed 25% of sales employee's performance period TIA. • Bonus payments are capped at 50% of sales employee's performance period TIA, for total of all bonus programs. • Bonus programs must not interfere with each other or divert attention from defined Sales Plans. **C. Approval of Bonus Programs** Regional E2E Sales Compensation and Sales Vice President must review and approve all bonus programs. On-top bonus and SPIF programs with estimated/budgeted program cost of >$1m also must be approved by Worldwide Sales Compensation Governance Council. Approvals must be secured prior to communication to the eligible sales population.

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	D. Eligibility for Bonus Programs Participation in a bonus program (on-top or SPIF) is determined as follows: ▪ Eligibility for incremental earnings opportunities is based on defined bonus program criteria as determined by job code and/or Sales Plan. ▪ Employee must be in an eligible job code and/or Sales Plan, in active status, at the end of the bonus program period to be eligible to receive incentives under the program. ▪ Employee must be an HP employee, in active status, at the time of bonus payment to receive bonus incentives earned under the program. ▪ Employees on guaranteed pay (100% TIA) are ineligible for bonuses. ▪ For six month SPIF programs, employee must be in an eligible Sales Plan for at least the last three months of the program period to earn incentives under the program. If eligibility period is met, the individual is eligible for the full bonus amount earned. If eligibility period is not met, employee does not earn any incentives under the SPIF program. ▪ For three month SPIF programs, employee must be in an eligible Sales Plan for at least the last full month of the program period to earn incentives under the program. If one month time period is met, the individual is eligible for the full bonus amount. If one month time period is not met, employee is not eligible to earn any incentives under the SPIF program. ▪ On-Top Bonus earnings are prorated based on number of months in eligible Sales Plan during the program performance period, unless otherwise stated in published Bonus Program documentation.
V. Focused Strategic Objectives (FSOs)	A Focused Strategic Objective (FSO) is a strategic performance measure, defined in sales employee's Sales Plan, used to address a complex selling environment that requires a balanced effort against multiple and varied objectives. FSOs provide incentive opportunities for performance against a set of specific, individualized objectives. Measures typically involve product mix, customer mix, number of new accounts, or other measurable goals. Sales managers are responsible for defining FSOs (in accordance with worldwide design guidelines) for sales employees assigned to Sales Plans with an FSO performance measure, in consultation with the employee and a Sales Incentive Design Business Group Manager at the beginning of each performance period. Sales managers are also responsible to submit FSO payment approvals by published deadlines or payment due to the sales employee will be delayed to a future pay cycle.

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VI. Draws	**A. Definition of Draw** Draw is a cash advance paid to a sales employee regardless of his/her performance, usually expressed as a percent of TIA. This amount provides cash flow to the employee for a defined period of time, usually at the beginning of a fiscal period. At the end of the defined draw period, the unearned amount previously paid will be recovered from incentives earned (quota-based sales performance, FSO, bonus, SPIF or other incentive pay), based on actual performance (except where specifically prohibited by law). **B. Eligibility for Draw** HP may implement draw methodology to temporarily issue incentive pay under the following conditions: ▪ Fiscal year start-up activities ▪ Significant data latency ▪ Threshold-based Sales Plans Worldwide E2E Sales Compensation defines and approves draw periods and draw percentages for defined sales populations. Draws are typically issued at the beginning of a fiscal year and the draw is aligned with a Sales Plan and all employees on that Sales Plan receive the same draw percentage. A draw period may not exceed half of a performance period without approval from Worldwide E2E Sales Compensation. New hires or transfers (non-sales to sales) who join a Sales Plan that is currently in a draw/incentive period will receive the draw for the remaining time of the defined draw/incentive period, (unless sales employee is being paid 100% TIA). An individual sales employee may not decline a draw. Sales employees who carry debt (incentive liability) may be denied draw payments, at HP's discretion. **C. Draw Calculations and Payments** Draws are paid one month in arrears on the standard incentive pay schedule. For example, draw for November is paid in December. Draws are paid in one-month increments using a percent of TIA deemed appropriate by the business, but not to exceed 60% of an individual's monthly TIA.

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Draw payments are made using one of the following methods, according to the Sales Plan:

Payment Method	Draw Calculation and Payment
Draw Only	**Example:** Annual Sales Plan with performance period TIA of $21,600 and 60% draw Monthly TIA = $1,800 ($21,600/12) Monthly Draw = $1,080($1,800/ 60%)
Draw/Incentive	A combination of incentives earned and supplemental draw is paid. Supplemental draw is paid if monthly incentives earned are less than monthly draw amount. All incentives earned are paid. (Refer to TIA and draw information in prior example.) Example 1 / Example 2 Incentives Earned: $1,000 / $2,000 Supplemental Draw: $ 80 / $ 0 Total Payment: $1,080 / $2,000
Incentive Only	The draw period has expired. Incentive payment equals full incentives earned less any outstanding liabilities due, based on draw paid.

D. Draw Recovery

Draws that begin in one month and are scheduled for payment for a given period can be recovered prior to the end of that period, if enough incentives are earned to both satisfy the draw balance and still keep the monthly incentive earnings above the draw setting.

At the end of the defined period that a draw is paid, any draw balances are recovered in full from future incentives (quota-based sales performance, FSO, bonus, SPIF or other incentive pay), incentive payments will not be issued until draw balance is fully repaid. Amounts owed from a draw that cannot be collected during one performance period will be carried over into the next performance period, until recovered. This includes crossing into the next fiscal year, if necessary.

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VII. Incentive Liability and Liability Recovery	**A. Incentive Liability** Incentive liability (draw or overpayment) is incurred when incentives are paid but not earned. Sales employees are responsible for all liability to HP. Some conditions that cause liability are: ▪ Draw paid exceeds incentives earned to date. ▪ Reversal of a previously applied sales credit due to order cancellation or administrative error. ▪ Negative carry-over from a prior performance period or fiscal year. It is the responsibility of the sales employee to review sales crediting on a monthly basis and report errors to the appropriate regional/local Sales Compensation Operations team and sales manager. Regular and timely review of sales crediting can help avoid unnecessary overpayment conditions. **B. Negative Incentives** All negative transactions, (including but not limited to cancellations, returned products, and corrections to quota) will reduce the period-to-date sales performance in the current performance period and will be included in the sales performance incentive pay calculation. All negative transactions from the prior performance period will also be treated as negative performance in the month in which the negative transaction occurs and will be included in the sales performance incentive pay calculation of the sales employee who currently covers the sales assignment. When an order/ shipment occurs in one performance period and is subsequently canceled in another performance period, negative incentives will be calculated using the current Sales Plan. This means formulas used for the negative transaction may be different from those used for the original incentive payment. **C. Repayment** Typically, incentive liability is repaid from future incentives earned. However, prompt repayment will be required at times. Incentive liabilities will be carried over into the next performance period if not satisfied by the end of the prior period. This includes crossing into the next fiscal year, if necessary. If it is determined by sales management and/or Sales Compensation Operations management that the overpayment amount is excessive, the employee will be asked to repay the gross amount of the overpayment in a lump sum. If a liability is carried from one calendar year to the next, repayment is based on the gross amount. Once the performance period has closed, employees who have left an assignment (transfer out of sales or termination from HP) will be required to repay the negative amount in full to the extent permitted by law. It is the sales manager's responsibility to communicate any outstanding liability to the sales

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	employee. Sales manager should contact Region Sales Compensation Operations immediately upon a sales employee's transfer or termination to obtain the current liability balance. Repayment options can be discussed with Human Resources, HP Payroll and/or Regional Sales Compensation Operations when any of the following conditions exist: ▪ Transfer out of sales position, Workforce Management (WFM) or Termination from incentive position. (100% of liability is due back to HP in these cases.) ▪ Outstanding liability balance greater than 20% of current annual TIA. (Employee will be required to repay, at a minimum, the portion of the liability amount which exceeds 20% of annual TIA.) **Example:** Annual TIA = $18,500. Total Liability = $20,000. The expected (gross) repayment would be $16,300 while remaining $3,700 can be recouped from future incentives. This option is not available if sales employee transfers or terminates from an incentive position. HP will recover the full liability amount from the employee as legally permissible within the country. This may include recovery from base pay, bonuses, or other incentive pay.

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VIII. Adjustments

A. General Information

If an employee participates in a Sales Plan for less than the full performance period, TIA, goals and/or incentive pay may be adjusted. All incentive payments, including adjusted payments, are processed per the standard incentive pay cycles.

The following table lists various conditions and how they affect incentive pay. Adjustments are calculated in whole month increments unless otherwise specified.

B. Adjustments Table

Condition	Effect on Incentive Pay
New to Sales *New hires or employees transferring from a non-sales role into a sales role within a defined performance period*	▪ Employee may be paid base pay + 100% TIA (guaranteed pay) for a period determined by sales manager and not to exceed three months, beginning first full month assigned to valid sales job code and Sales Plan. ▪ 100% TIA payment is prorated from date of hire to month assigned to valid sales job code and Sales Plan. (If start date is mid-month, sales employee will be paid 100% TIA at least until the first of the following month.) ▪ At least two full months must remain in performance period for sales employee to be assigned to a Sales Plan. ▪ If a sales employee is assigned to a Sales Plan after the start of a performance period, incentive pay is calculated with prorated TIA, prorated goals (seasonality factored where applicable), and performance for time in position. ▪ If the first of the month falls on a weekend or holiday, Sales Plan assignments are effective for the full month. **Example:** Hire date is January 11. January 11 through January 31 will be paid at 100% TIA, prorated for days worked. Sales Plan start date could be February 1 (following month), March 1 (after one full month at 100% TIA payment), April 1 (after two full months at 100% TIA payment) or May 1 (after three full months at 100% TIA payment).
Sales to Sales Transfers *Sales employees transferring from one sales role to another within a defined performance period*	▪ New Sales Plan will be effective on the first of a month (with at least two months remaining in performance period). ▪ Sales employee will be paid 100% TIA (guaranteed pay) for the new sales role until the new performance period starts if two full months do not remain in the current performance period. ▪ Incentive pay is calculated separately for each Sales Plan assignment and prorated TIA, prorated goals (seasonality factored where applicable), and performance for time in position

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		is used for each calculation. • Sales performance that credits after transfer, but for the period sales employee was active in previous Sales Plan, will be calculated for payment in the pay cycle corresponding to the date of performance credit, based on the terms of the prior Sales Plan. • Employee receives earned FSO attainment based on active sales period. Refer to **V. Focused Strategic Objectives** section of this policy for more information.
	Sales to Non-Sales Transfers *Sales employees transferring from one sales role to a non-Sales HP position within a defined performance period*	• Incentive pay is calculated with full period TIA, full period goals and performance credit for time in sales position. • Employee receives earned FSO attainment based on active sales period. Refer to **V. Focused Strategic Objectives** section of this policy for more information. • Sales performance that credits after transfer, but for the period sales employee was active in Sales Plan, will be calculated for payment to employee.
	Terminations *Leave the company voluntarily or involuntarily*	• Incentive pay is calculated with full period TIA, full period goals and performance credit for time in sales position. • Sales employee receives full credit through the month of termination. • Employee receives earned FSO attainment based on active sales period. Refer to **V. Focused Strategic Objectives** section of this policy for more information. • Employee must be assigned to Sales Plan with a bonus program at the time of bonus payment to receive bonus incentives. • If the Sales Plan is in a draw payment cycle when the termination occurs, all liabilities will be recovered based on actual performance. • Sales performance that credits after termination, but for the period sales employee was active in Sales Plan, will be calculated for payment in the pay cycle corresponding to the date of performance credit. • Sales employees who terminate prior to the assignment of a Sales Letter will be paid 100% TIA for the performance period, prorated for the period of active status. • Incentive payment will be reduced by any outstanding liabilities as permitted by law.

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	Workforce Management (WFM)	▪ Workforce Management (WFM) programs are defined and managed by Human Resources. ▪ The **Terminations** section of this Adjustments table applies unless it conflicts with the current Human Resource WFM program.
	Target Incentive Amount (TIA) Adjustments	▪ A sales employee's TIA may be changed mid-performance period, effective on the first of a month. ▪ If a TIA adjustment occurs in mid-perfomance period, the sales employee's TIA for the performance period will be averaged for incentive pay calculations. For example, if a TIA change is effective in the fourth month of a six month performance period, the original TIA for months 1-3 is added to the TIA for months 4-6 to calculate the incentive payments due for months 4-6.
	Goal/Quota Adjustments *Changes to goals or quota (increase or decrease) after start of performance period*	▪ All adjustments will be made on the first of a month. ▪ Goals are prorated (seasonality factored where applicable) for each portion of the performance period (for time covered by intial goal and time covered by new goal). ▪ Typically, retroactive goal/quota increases are performed to correct administrative errors only. ▪ More detailed policy is work-in-process. Until FY07 global policy is finalized, region or local policies will prevail.
	Sales Assignment Adjustments *Addition or deletion of account or geographic sales coverage for a sales employee after the start of a performance period*	▪ Adjustments to sales assignments in the middle of a performance period require approval by sales management, and Region Sales Compensation Operations. Based on quota impact, Business Finance may also provide approval. ▪ Adjustments to sales assignments will be effective on the first of the month after assignment change is approved. ▪ Sales managers are responsible to review impact of company mergers, acquisitions, subsidiary changes, etc. to determine if a sales assignment adjustment and/or quota/goal adjustment is required. Effective date of such assignment changes are dependent upon timing of changes in customer reference system. ▪ When a sales employee becomes inactive for a period of time or terminates from the company, sales assignments of other sales employees may be adjusted to accommodate coverage of the geographic area, team, or account. ▪ Quota/goals of sales employees who cover the assignment of the inactive employee may be modified to accommodate the change in assignment.

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Incentive Pay Adjustments *Pay adjustments entered manually into the incentive pay system to correct system-calculated payments or to compensate sales employee for payment earned that does not flow systemically*	▪ Incentive pay adjustments must be approved by local or region SCO Management, based on thresholds identified in SCO Delegation of Authority policy for a region or country. ▪ Incentive pay adjustments will not be processed outside of the standard compensation system processing cycle.
Changes to Pay, Job Code or Standard Hours	▪ All changes in base pay, TIA, job code or standard hours originate from the manager of the sales employee and must be submitted to Human Resources for approval and processing.
Part-Time Employees	▪ Incentive pay is based on prorated TIA for any incentive sales employee who is considered part-time per country law and eligible for incentive pay per this policy.
Leave of Absences (LOA): *(as defined by Human Resources policy)*	▪ For leave of absence of less than two consecutive months of a performance period, sales employee remains on Sales Plan and incentive pay is calculated with full period TIA, full period goals and actual performance. ▪ For leave of absence longer than two consecutive months: ➢ Incentive pay is calculated with prorated TIA, prorated goals and actual performance for period of active status. ➢ If leave of absence begins in the middle of a month, incentive pay is calculated based on full month. ➢ If leave of absence ends in the middle of the month, sales employee is paid 100% TIA (guaranteed pay) for that month, prorated for time worked. ➢ For the period of leave, incentive pay does not apply.

C. Retroactive Sales Plan Assignments

Retroactive Sales Plan assignments are not performed. It is the sales manager's responsibility to ensure that his/her sales employees are assigned to the appropriate Sales Plan, at the beginning of the performance period or as otherwise appropriate for the sales employee.

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	D. New Sales Plans or Plan Modifications (Mid-Performance Period) After a performance period has been initiated, there may be a business need to change the characteristics of a Sales Plan or create a new plan for the remainder of the performance period. Examples include, but are not limited to: changes to business area(s) defined in the Sales Plan; changes to incentive mix; and changes to the weight of quota-based sales performance vs. FSO (or other performance measure). Changes to Sales Plans are not implemented retroactively. Managers should involve their Sales Incentive Design Business Group Manager to carefully evaluate the impact of making such changes. All new Sales Plans or plan modifications must be approved per the current global Sales Plan design framework guidelines.
IX. Management Incentive Performance Review (MIPR)	**A. Scope** The Management Incentive Performance Review (MIPR) Policy applies to all sales employees (including sales executives) receiving incentive payment, across all worldwide, regions and business groups (including Procurve and HPFS). Bonus and SPIF payments are not included in this evaluation. **B. Introduction and Purpose** HP has implemented a management review policy and process to evaluate performance significantly above target. This policy is in keeping with HP's Pay for Performance philosophy and is considered fair and equitable for both employees and the company. When a sales employee reaches an identified threshold, a management review occurs prior to incentive payment to sales employee. As a result of these reviews, management may adjust sales goals and/or sales credit or take other action as necessary to ensure fair measurement of performance. The purpose of the review is to check for bona fide performance attainment, including (but not limited to) consideration of the following criteria: ▪ Evaluation of the employee's quota or objectives as fair and equitable to determine if errors or erroneous assumptions were made in the quota/goal-setting process, or if the assumptions are now significantly different based on changes in business or market conditions. If objectives are determined unfair, then the quota may be re-assessed for current/future periods. Analyzing performance from this perspective may include comparing an individual's sales performance against country or segment performance for that period. ▪ Evaluation of unusual (e.g., "windfalls") sales transactions/credits for appropriate reflection of effort involved to determine whether the attainment was attributed directly to the employee's genuine personal achievement, or whether it was due to other external factors, beyond the employee's influence or control, such as "windfall" situations, or other factors. This approach measures current period-to-date performance results against the entire performance period TIA.

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C. Management Incentive Performance Review Approvals

Review of individual performance/sales credits by SCO is considered external and a pre-requisite to management approval. This ensures that management is only reviewing data that has been validated (based on current knowledge/information available to SCO) as complete and accurate from operational, administrative, and system perspectives. Late submission of data from partners or other latent data errors would require results to be adjusted/updated accordingly.

The region and country business group (BG) sales management organizations are responsible for conducting reviews and providing approvals as follows, once an employee's attainment reaches the following pre-established and communicated thresholds:

Required Threshold Review Points

- **For Sales Employee and Sales Manager Performance:**

  Country Level: 250% TIA achievement/payout
  Region Level: 350% TIA achievement/payout
  Increments of 100%, to the 700% plan cap

- **For Sales Executives (assigned to SEP plans):**

  Region Level: 250% TIA achievement/payout
  Increments of 100%, to the 700% plan cap

Required Sales Approval Levels

- **Country Level:**

  Level 1 and 2 sales managers (as determined by the sales employee's reporting chain, not by sales employee location); and

  Country BG Finance Manager (or Sales Compensation Finance Manager where applicable)

- **Region Level, additional approvals:**

  Region E2E Sales Compensation Lead; and

  Region BG Sales VP and BG Controller

Additional approval levels/representatives may be added as deemed appropriate by Country or Region management.

POLICIES	
	Worldwide E2E Sales Compensation Governance Council Debriefings The Region E2E Sales Compensation Lead presents quarterly debriefings to the Worldwide E2E Sales Compensation Governance Council, providing reports/evidence that Country/Region reviews have taken place (for sales employees, sales managers and sales executives), highlighting unusual performance and approval rationale, how many sales targets or pay adjustments were made, etc. The Worldwide E2E Sales Compensation Governance Council Members include: BG Sales Compensation Governance representative, BG Finance and Human Resource Leads, BG Sales Compensation Lead (as applicable), Route-to-Market Leads and Segment Leads, Corporate Strategic Human Resource Policies Lead, Worldwide Sales Incentive Design Lead, Worldwide Sales Compensation Finance Lead, Worldwide E2E Sales Compensation Lead, Worldwide Sales Compensation IT Lead, Worldwide SCO Lead, and Region E2E Sales Compensation Leads. **D. Data Required** A minimum set of data is required to support all reviews, including Worldwide Sales Compensation Governance Council debriefings: ▪ A list of all sales employees at threshold, including: sales employee name and employee ID, Country/Region, BG, sales role/plan, quota measures, period quota and performance; and ▪ Justification/rationale for approval and the actual names of all required approvers for each sales employee at a new threshold. Report formats can be customized, or Country/Region level reports reused, as determined by each Region. **E. Documentation/Evidence of Reviews** Documentation of the review process must be maintained by Country and Region Sales Compensation organizations, to include (but not limited to): ▪ Report with all data identified in **Data Required** section above. ▪ E-mails documenting the approval trail should be kept with review process documentation. ▪ A secure repository/file location is required to store all review process documentation. ▪ Refer to the HP retention policy for guidelines related to required storage timelines. See the Global Records Management site for more information:

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	http://finance.hp.com/records/index2.htm
X. Close of Pay Cycle	Incentive pay is based on monthly pay cycles with a monthly pay close policy. In any monthly cycle, final incentive payment for all transactions is expected to be paid to sales employee within three monthly pay cycles from shipment/order. HP will provide incentive payments to sales employee as soon as possible after sales crediting occurs within the compensation system. Incentive payments occur in the month following sales crediting. For example, November transactions should be paid by the following February pay cycle. Standard claims submittal deadlines are currently work-in-process.

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Accelerator: The rate(s) (percent of Target Incentive Amount) paid for every 1% of quota achieved above 100% quota performance.

Base Pay: An employee's base pay represents a "fixed" level of income. Base pay reflects the market value for an employee's job and performance. It excludes incentive pay or other on-top bonuses.

Bonus: A payment in addition to on-target earnings, awarded for accomplishing pre-determined objectives.

Business Area: The lowest-level internal management organizational unit in the "product oriented" management structure dimension (a.k.a. product line).

Cap: The maximum total incentive pay a sales employee can earn in a given period. A cap may apply to specific Sales Plan performance measure or to overall incentive pay of a Sales Plan (plan cap).

Draw: Recoverable payment of incentive pay, paid in anticipation of future performance.

Focused Sales Objective (FSO): Strategic performance measure used to address a complex selling environment that requires a balanced effort against multiple and varied objectives. FSOs provide incentive opportunities for performance against a set of specific, individualized objectives. Measures typically involve product mix, customer mix, number of new accounts, or other measurable goals.

Gate: A mechanism in a Sales Plan that requires a level of performance (based on achievement against a performance measure) on one or more metrics in order to receive an incentive payment or an accelerated payout rate.

Goal: A sales objective used to measure performance for calculation of incentive pay.

Guaranteed Pay: Payment at 100% TIA. Guaranteed pay is non-recoverable and is only provided to sales employees when they are new to a sales role.

Incentive Pay: Includes any compensation element linked to target incentive, bonuses, SPIFs, FSOs and other sales recognition. Includes variable incentive pay dependent on performance vs. goal. Provides an opportunity to earn above base pay and includes one or more performance measures.

Incentive Weighting: A portion of a sales role's target incentive allocated to a performance measure based on its priority in support of the sales role objective. It is expressed as a percent. Weights for all performance measures of a Sales Plan must equal 100%.

Job Code: A unique code used to identify a job within a specific Job Function, Job Family and Job Level combination. Every Job Code has a unique Job Title.

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Job Family: The second most broad grouping of job responsibilities used to describe work performed within the company. For example, within the Engineering function typical job families include: Electrical Engineering, Mechanical Engineering, Software Engineering, Program Management, Manufacturing Engineering, etc

Job Level: Term used for the general description of the typical skills and abilities needed for successful performance of a job or jobs within a job family. Typical levels include Entry, Intermediate and Specialist for exempt jobs; Base, Primary and Core for Non-exempt jobs; and Manager 1 and 2 for Management jobs

Leverage (Mix): Ratio of base pay and target incentive to on-target earnings.

Liability: Amount to be recovered from a sales employee's incentive pay for overpayments or draw.

Month: Processing month. Incentive pay is paid out one month in arrears. For example, November performance is paid in December. In all cases in this document, the term "month" refers to a payment or processing month, unless specified otherwise.

Multiplier: The rate(s) (percent of TIA) paid for every 1% of quota achieved. Multipliers apply to under 100% performance (slope) as well as over 100% performance (accelerator).

On-Target Earnings (OTE): Total annual pay for sales employee at 100% goal attainment. Sum of base pay and 100% target incentive equals OTE.

Performance Measure: A defined element of a Sales Plan, such as quota-based sales performance, FSO, bonus, SPIF, or other performance measures such as margin performance or Total Customer Experience (TCE) and the specific criteria (e.g. product groups), identified on Sales Letter and/or Sales Plan, used to calculate incentive pay.

Performance Period: The time span over which performance is measured for incentive pay.

Portfolio Mix Metric (PMM): A credit multiplier applied to product categories in order to drive sales of target mix.

Point of Excellence (POE): Sales performance level at which superior levels of compensation are earned; indicates significant overachievement.

Proxy Margin: Proxy margin is a credit multiplier applied to product categories in order to drive high-margin sales/transactions.

Quota: A pre-determined sales goal assigned to an individual or team.

Ramp: The point at which the acceleration changes from one percent to another.

Roll-off Point: The point at which the acceleration rate levels off to pay 1:1.

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Sales Assignment: The account and/or geographic range of coverage assigned to a sales employee for calculation of incentive pay. **Sales Letter:** A document (or combination of documentation) which defines how a sales employees is paid for a particular performance period. Generally, Sales Letters include a sales employee's goals, TIA, incentive pay mechanics, sales crediting information and legal terms and conditions. **Sales Performance:** The amount of sales achieved in a defined performance period. Sales performance is expressed as a percent of performance period goal. **Sales Plan:** A Sales Plan defines the critical elements that comprise a sales employee's incentive pay, (i.e., performance period, payment frequency, performance measures, sales goals, sales assignment, incentive multipliers and weighting, payment caps, etc.). HP Sales Plans are generally created annually and based on approved global design guidelines. **Slope:** The rate(s) (percent of TIA) paid for every 1% of quoa achieved below 100% of quota performance. **Special Incentive for Focus (SPIF):** A contest or other competitive scenario, with a defined beginning and end date, offered to a defined sales population to meet a unique, short-term need in plan emphasis or sales focus. **Target Incentive Amount (TIA):** Amount of incentive opportunity paid at 100% goal attainment. Actual incentives earned may be more or less than TIA. **Target Incentive Pay:** Incentive pay at 100% goal attainment. **Threshold:** Minimum level of performance that must be achieved before an incentive will be paid. **Top Line Metric:** "Top Line" is a term often found in Accounting or Finance disciplines and refers to the top line of a financial statement that details revenues, shipments, or orders, depending on the unit of measure being used by the company. Relative to Sales Plans developed within HP, the term is used to encompass any of these measures (revenues, shipments, orders) depending on the organization within HP and related performance goal. **Total Sales Compensation:** Sum of base pay and actual incentive pay earned. **Upside:** Incentive pay opportunity that is in excess of on-target earnings. **Variable Incentive Pay:** Any performance measure linked to target incentive, overachievement, bonuses and/or other sales recognition. **Virtual System Metric (VSM):** Margin performance measure reflecting product mix, long term supplies revenue and discounts.

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	NOTE: Additional terminology can be found in the HP Total Rewards glossary at the following website: http://hrcms01.atl.hp.com:6041/public/pages/edu_tm/en_US/text_page_20036.htm

POLICY HISTORY	
I. Records Retention Information	Each published version of this policy is to be retained per Global Records Management (GRM) requirements under GRM Record Series AC814. The retention period for this policy is classified as "Tax Department Clearance (TDC)." The Project Manager for each policy revision is responsible for records management.
II. Revision History	

Revision Date	Revision Notes
17-May-2006	Initial release of policy, effective 2H06.

EXHIBIT 4

HP GLOBAL SALES COMPENSATION POLICY *HP Restricted*			
Organization:	HP Worldwide E2E Sales Compensation	**Policy #:**	HP062-01
Sponsor:	Tim Carley	**Revision:**	01-Nov-2006
Global Contact:	Carla Hogan, WW E2E Sales Compensation Global Policy Analyst +1 407-359-8834 carla.hogan@hp.com	**Effective Date:**	01-Nov-2006

Americas (AMS) Contact:	Eddie Miller, +1 830-990-4142
Europe, Middle East and Africa (EMEA) Contact:	Guido Marsili, +39 02-9212-2260
Asia, Pacific and Japan (APJ) Contact:	Shiao-Ling Lim, +61 3-8877-8489

Location of Policy:	http://wwsalescomp.corp.hp.com/Policy/GSCPolicy.html
Purpose:	The purpose of the HP Global Sales Compensation Policy is to represent the standard treatment of sales credit and incentive pay administration within HP Sales Compensation. The primary audience is HP Sales and the policy is implemented by HP E2E Sales Compensation.
Scope:	This policy applies to all HP employees assigned to a sales compensation plan (Sales Plan) in each business group; however, HP Financial Services (HPFS) sales employees are not subject to the sales credit topics. Contingent workers are not subject to this policy. This policy is in effect beginning November 1, 2006 for FY07 and future measure periods, until replaced or discontinued. This policy replaces any previous HP global or regional sales compensation incentive pay administration policies, including the Global Sales Compensation Incentive Pay Administration Policy and the HP Sales Credit Policy. Regional or local sales compensation guidelines may be developed that clarify regional details or to document differences from global policy as approved by Worldwide E2E Sales Compensation.
Policy Exceptions:	Documented national or local laws may dictate exceptions to this policy. Consult the regional or local HP Legal Department to determine approved exceptions based on national or local laws. Exceptions to this policy (other than legal exceptions) must be approved in writing by Worldwide E2E Sales Compensation or as documented in the HP Global Sales Compensation Delegation of Authority Policy.
Workers' Councils Note:	For countries that require consultation with workers' councils and/or other employee representatives, this policy is not intended to provide country-specific information. Where required by law, specific items of this policy may be subject to consultation with workers' councils and/or other employee representatives.

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GENERAL INFORMATION

- This policy and HP Sales Plans are classified as "HP Restricted" and are meant for internal use only.
- Sales employees are expected to review this policy and referenced materials and discuss any questions with sales management.
- None of the contents in this policy, HP Sales Plans, nor regional policy guidelines shall be construed to imply the creation or existence of a contract between HP and any participant, nor a guarantee of employment for any specified period of time.
- No Sales Plan participant will have any right to monies accrued through the plan until and unless all terms, provisions, and conditions, as set forth in this policy and the assigned Sales Plan, have been met.
- HP reserves the right to adjust Sales Plans as necessary to address changing business conditions.
- HP reserves the right to change or discontinue this policy, with or without notice, at any time.
- **Currency Conversion:** Quota is issued and sales credit is applied in U.S. dollars (USD). For commission-based (non-TIA-based) Sales Plans, sales credit may be applied in local currency. Incentive pay is administered in local currency. Local currency is converted to USD based upon the HP Global Treasury Business Unit Pricing Rates available. If Pricing Rates are not available from HP Global Treasury, the Accounting Rates from HP Global Treasury will be applied. Currency fluctuations may impact the incentive pay calculations. HP Finance oversees a regular process to offset currency impact based on the current U.S. Treasury Pricing Rates. Additional adjustments to incentive pay due to currency factors are not supported.

ADDITIONAL REFERENCE

Following are sources of additional reference materials related to sales compensation.

Reference	Web Address	Responsible Organization
HP WW Sales & Marketing Policies [Includes HP Order Acceptance Policy (215.0400) and HP End-User Customer Verification Policy (216.0400)]	http://tce.corp.hp.com/marketing_policies/	Worldwide Sales Support Operations/ Marketing Policy Manager
HP Human Resources global and local policies (Includes HP Standards of Business Conduct)	http://athp.hp.com/portal/site/athp/menuitem.8db226267ca6ee9a0da96c32238f82f0/	HP Human Resources
Region and/or local sales compensation guidelines	Contact your Region or Country Sales Compensation Operations (SCO) Org	Region or Country Sales Comp Operations (SCO)
Sales Compensation Terminology	http://wwsalescomp.corp.hp.com/SCglossary.htm	WW E2E Sales Compensation
HP Total Rewards Glossary	http://hrcms01.atl.hp.com:6041/public/pages/edu_trn/en_US/text_page_20036.htm	HP Human Resources
HP Global Sales Compensation Delegation of Authority Policy	http://wwsalescomp.corp.hp.com/	WW E2E Sales Compensation
HP Global Treasury pricing and accounting foreign exchange conversion rates	http://finance.hp.com/treasury/fx	HP Global Treasury
Communications, Media & Entertainment Joint-Go-To-Market (CME JGTM) Program	http://cmeonline.hp.com/jgtm/default.asp	CME Joint Go-To-Market (JGTM) Organization
HPS Policy and Procedures Directory	http://tsgonline.hp.com/hpspolicies/policies/polprodDirectory.htm	HP Services

INCENTIVE PAY ADMINISTRATION POLICIES

1.0. Global Sales Plan Design

The Worldwide End to End (E2E) Sales Incentive Design Team and Sales Compensation Governance Council define the framework for HP Sales Plans. This framework is designed to promote consistency across HP through the application of a consistent incentive design methodology, while enabling flexibility to each business group/sales organization in the selection of unique compensation solutions for their field jobs.

Sales Plan design is an annual process. Similar jobs within a country are treated similarly regarding eligibility for sales compensation, TIA, on-target earnings levels, pay mix and payout rates. Each sales organization is engaged annually to establish Sales Plan design.

After a measure period has been initiated, there may be a business need to change the characteristics of a Sales Plan or create a new plan for the remainder of the measure period. Managers should involve their Sales Incentive Design Business Group Manager to carefully evaluate the impact of making such changes. All new Sales Plans or plan modifications must be approved per the current global Sales Plan design framework guidelines.

2.0. Sales Plan Eligibility

The following criteria must be met to participate in a Sales Plan:

- HP employee, assigned to an eligible sales job code in HP Human Resource system with minimum standard work schedule of 20 hours per week
- Review and acceptance of Sales Letter/Sales Plan
- At least two full calendar months must remain in measure period for sales employee to be assigned to a Sales Plan.

NOTE: HP sales employees are not eligible to receive sales compensation from any source outside of HP.

3.0. Sales Letters

- A Sales Letter is a document that defines the Sales Plan and communicates how a sales employee is paid for a particular measure period. In the Americas region, the Goal Sheet and Credit and Compensation Plan together comprise the Sales Letter to the sales employee.
- Sales Letters will be issued to all sales employees as early as possible in the measure period.
- For new hires and internal transfers, a Sales Letter will be issued mid-measue period when the sales employee is assigned to a Sales Plan.
- A Sales Letter may also be provided to a sales employee mid-measure period if Sales Plan changes occur.
- It is the employees' responsibility to review their Sales Letter, and escalate any concerns to Sales Compensation Operations (SCO) and to their manager within 30 days of Sales Letter distribution. The employee's manager must advise their regional SCO team in writing if there is a concern with the goals that requires research/action. While the issue is being resolved, the sales employee will be compensated per the Sales Plan (or continue with draw if in a draw period). Final resolution of any such dispute is within the sole discretion of Region E2E Sales Compensation. If an employee does not escalate concerns within the 30-day review period noted above, the Sales Plan and goals are deemed accepted.
- Refer to <u>Sales Compensation Adjustments</u> section for standard treatment of incentive pay when a sales employee terminates from HP, transfers to a sales or non-sales position, or begins a leave of absence prior to distribution of Sales Letter or prior to the end of the 30-day review period for the measure period.

NOTE: Country and region gross margin quota and account margin quota may be displayed only on Sales Letters for HP country and region sales directors and sales vice presidents.

INCENTIVE PAY ADMINISTRATION POLICIES

4.0. Incentive Pay Calculation Methodologies

4.1. Period-to-Date (PTD) Calculation

Incentive pay is calculated with period-to-date calculation. The actual performance attainment percentage is determined by dividing the cumulative period-to-date sales by the quota that applies to the entire measure period. For example, in the fifth month of an annual measure period, sales for one performance metric for those five months will be measured against the total annual quota for that performance metric. This percentage is then multiplied by the TIA allocated to this performance metric for the entire measure period.

4.2. Weighted Performance Attainment (WPA)

For the majority of Sales Plans, the calculation of incentive earnings is based on the average of weighted performance attainment of two or more performance metrics. This is referred to as weighted performance attainment methodology. This approach is a departure from traditional incentive earnings calculation methodology (referred to as Independent Performance Attainment methodology) whereby incentive earnings for each performance metric are calculated and accelerated independently.

Performance attainment is tracked and determined separately for each performance metric. A sales employee's incentive earnings are determined for the entire Sales Plan based on the average performance and weight of each performance metric within the Sales Plan.

WPA Example:

PLAN:		CALCULATION:
Performance Metrics (PM):	50% Top Line; 50% PMM	PM#1 weight (x) attainment (+) PM#2 weight (x) attainment: (.50 x .75) + (.50 x 1.05) = .90 (90% weighted performance attainment)
Acceleration Rates:	<100%: 1 >100%: 2.5%	
Measure Period TIA:	$15K	Weighted performance attainment is then applied against applicable acceleration rate: .90 x 1 = 90%
Performance for Topline metric:	75%	Earnings calculation:
Performance for Portfolio Mix Metric (PMM) metric:	105%	90% x $15,000 = $13,500

5.0. Bonus Programs (On-top and SPIF)

5.1. Design of Bonus Programs

- Bonus programs are designed to compensate with cash incentives only. Merchandise (such as IPODs and gift cards), E-Awards and point-driven gift programs are not valid methods for compensating sales employees for meeting sales goals and will not be approved or supported by HP Sales Compensation.
- Bonus payments may not be inflated to affect taxes due by sales employee.
- If payment caps are not identified in bonus program documentation, the following caps apply:
  - Payments from a single bonus program may not exceed 25% of sales employee's measure period TIA.
  - Bonus payments are capped at 50% of sales employee's measure period

INCENTIVE PAY ADMINISTRATION POLICIES	
	TIA, for total of all bonus programs.
5.2. Eligibility for Bonus Programs	▪ Employee must be in an eligible sales job code and/or Sales Plan, in active status, at the end of the bonus program period to earn incentive payment under the program. ▪ Employee must be an HP employee, in active status, at the time of bonus payment to receive bonus incentives earned under the program. ▪ Employees on guaranteed pay (100% TIA) are ineligible for bonuses. ▪ For six month or longer SPIF programs, employee must be in an eligible Sales Plan for at least the last three months of the program period to earn incentives under the program. If eligibility period is met, the individual is eligible for the full bonus amount earned. If eligibility period is not met, employee does not earn any incentives under the SPIF program. ▪ For three month SPIF programs, employee must be in an eligible Sales Plan for at least the last full calendar month of the program period to earn incentives under the program. If one month time period is met, the individual is eligible for the full bonus amount. If one month time period is not met, employee is not eligible to earn any incentives under the SPIF program. ▪ On-Top Bonus earnings are prorated based on number of months in eligible Sales Plan during the program measure period, unless otherwise stated in published Bonus Program documentation.
6.0. Pay Advances	
A pay advance is a compensation payment made in advance of performance, intended to provide (or supplement) cash flow to a sales employee over a defined period of time. A pay advance may be provided in the form of a draw, paid to a sales employee at a defined level, regardless of his/her performance. A pay advance may also be provided to a sales employee in anticipation of achieving a defined performance level.	
6.1. Draw	▪ HP may implement draw methodology to temporarily issue pay to incentive employees at HP's discretion. ▪ Worldwide E2E Sales Compensation defines and approves draw conditions, including: length of draw period, draw percentages, etc., for defined sales populations. ▪ New hires or transfers (non-sales to sales) who join a Sales Plan that is currently in a draw period will receive the draw for the remaining time of the defined draw period, unless sales employee is being paid 100% TIA. ▪ Sales employees who carry debt (incentive liability) may be denied draw payments, at HP's discretion. ▪ An individual sales employee may not decline a draw.

INCENTIVE PAY ADMINISTRATION POLICIES

6.0. Pay Advances (continued)

6.2. Draw Calculations and Payments

Draws are paid one month in arrears on the standard incentive pay schedule. For example, draw for November is paid in December. Draws are paid in one-month increments using a percent of TIA deemed appropriate by the business, but not to exceed 60% of an individual's monthly TIA.

Draw payments are made using one of the following methods, according to the Sales Plan:

Payment Method	Draw Calculation and Payment
Draw Only *Method typically used at new period start-up or when actual performance cannot be measured.*	**Example:** Annual Sales Plan with measure period TIA of $21,600 and 60% draw Monthly TIA = $1,800 ($21,600 / 12) Monthly Draw = $1,080 ($1,800 / 60%)
Draw/Incentive *A combination of incentives earned and supplemental draw is paid.*	Supplemental draw is paid if monthly incentives earned are less than monthly draw amount. All incentives earned are paid. (Refer to TIA and draw information in prior example.) Example 1 / Example 2 Incentives Earned: $1,000 / $2,000 Supplemental Draw: $ 80 / $ 0 Total Payment: $1,080 / $2,000

NOTE: Once the draw period has expired, incentive payment equals full incentives earned less any outstanding liabilities due, based on draw paid.

6.3. Performance Level Pay Advances

Performance level pay advances, when applicable, are described in the Sales Letter provided to sales employee.

6.4. Recovery of Pay Advances

Pay advances are considered liabilities and are subject to recovery by HP.

7.0. Incentive Liability

Incentive liability is incurred when incentives are paid but not earned. Sales employees are responsible for repayment of liability to HP. Some conditions that cause liability are:

- Pay advances exceed incentives earned to date
- Negative transactions
- Negative carry-over from a prior month, measure period or fiscal year

Regular and timely review of sales crediting can help avoid unnecessary overpayment conditions. It is the responsibility of the sales employee to review sales crediting on a monthly basis and report errors to the appropriate Sales Compensation Operations team and sales manager.

INCENTIVE PAY ADMINISTRATION POLICIES	
7.1. Negative Transactions	▪ When an order or shipment occurs in one measure period and is canceled in another measure period, incentive pay for the negative transaction will be calculated using the current sales employee's current Sales Plan and payout rate. ▪ Payout rates used for the negative transaction may be different from those used for the original incentive payment.
7.2. Repayment	▪ Incentive liability is repaid from future incentives earned, including, but not limited to: quota-based sales performance, FSO, bonus, SPIF or other performance metric. Liability also may be recovered from base pay and amounts due on termination, if necessary. ▪ Prompt repayment will be required in all liability situations. ▪ Incentive liabilities will be carried over into the next measure period, if not satisfied by the end of the prior period. This includes crossing into the next fiscal year, if necessary. ▪ If it is determined by HP that the liability amount is excessive, the employee will be asked to repay the gross amount of the liability in one full payment to HP. ▪ If a liability is carried from one calendar year to the next, repayment is based on the gross amount. ▪ Once the measure period has closed, employees who have left an assignment (by transfer out of sales or termination from HP) will be required to repay the liability amount in full, to the extent permitted by law. ▪ It is the sales manager's responsibility to communicate any outstanding liability to the sales employee. The sales manager should contact Sales Compensation Operations immediately upon a sales employee's transfer or termination to obtain the current liability balance. ▪ Repayment options can be discussed with Human Resources, HP Payroll and/or Sales Compensation Operations when any of the following conditions exist: ➢ Transfer out of sales position, Workforce Management (WFM) or termination from incentive position. (100% of liability is due back to HP in these cases.) ➢ Outstanding liability balance greater than 20% of current annual TIA. (Employee will be required to repay, at a minimum, the portion of the liability amount which exceeds 20% of annual TIA.)

8.0. Sales Compensation Adjustments

If an employee participates in a Sales Plan for less than the full measure period, TIA, goals and/or incentive pay may be adjusted. All incentive payments, including adjusted payments, are processed per the standard incentive pay cycles.

The following table lists various conditions and how they affect incentive pay. Adjustments are calculated in whole month increments unless otherwise specified.

INCENTIVE PAY ADMINISTRATION POLICIES

Condition	Policy
8.1. New to Sales *New hires or employees transferring from a non-sales role into a sales role within a defined measure period*	▪ Employee may be paid base pay + 100% TIA (guaranteed pay) for a period of time determined by sales manager and not to exceed three calendar months, beginning first full calendar month assigned to valid sales job code and Sales Plan. Guaranteed pay may exceed three calendar months if two full calendar months do not remain in the measure period. ▪ 100% TIA payment is prorated from date of hire to month assigned to valid sales job code and Sales Plan. [If start date is mid-month (any day other than the first of a month), sales employee will be paid 100% TIA at least until the first of the following month.] ▪ Sales Plan will be effective on the first of a month (with at least two months remaining in measure period). ▪ If a sales employee is assigned to a Sales Plan after the start of a measure period, incentive pay is calculated with prorated TIA, prorated goals (seasonality factored where applicable), and performance for time in position. ▪ If the first of the month falls on a weekend or holiday, Sales Plan assignments are effective for the full calendar month. **Example:** Hire date is January 11. January 11 through January 31 will be paid at 100% TIA, prorated for days worked. Sales Plan start date could be February 1 (following month), March 1 (after one full calendar month at 100% TIA payment), April 1 (after two full calendar months at 100% TIA payment) or May 1 (after three full calendar months at 100% TIA payment).
8.2. Sales to Sales Transfers *Sales employees transferring from one sales role to another within a defined measure period*	▪ New Sales Plan will be effective on the first of a month (with at least two months remaining in measure period). ▪ Sales employee will be paid 100% TIA (guaranteed pay) for the new sales role until the new measure period starts if two full calendar months do not remain in the current measure period. ▪ Incentive pay is calculated separately for each Sales Plan assignment and prorated TIA, prorated goals (seasonality factored where applicable), and performance for time in position is used for each calculation. ▪ Sales performance that credits after transfer, but for the time sales employee was active in previous Sales Plan, will be calculated for payment in the pay cycle corresponding to the date of performance credit, based on the terms of the prior Sales Plan. ▪ Employee receives earned FSO attainment based on active sales time. ▪ If transfer occurs prior to distribution of Sales Letter, sales employee is paid based on performance for the original sales role of the measure period until effective date of new sales role. ▪ If transfer occurs after distribution of Sales Letter, but prior to the end of 30-day review period for original sales role, Sales Letters for the original sales role and for new sales role are both subject to review and acceptance.

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8.3. Sales to Non-Sales Transfers *Employees transferring from a sales role to a non-Sales HP position within a defined measure period*	▪ Incentive pay is calculated with full measure period TIA, full measure period goals and performance credit for time in sales position. ▪ Employee receives earned FSO attainment based on active sales time. ▪ Sales performance that credits after transfer, but for the time sales employee was active in Sales Plan, will be calculated for payment to employee. ▪ Sales employees who transfer prior to the assignment of a Sales Letter will be paid 100% TIA for the measure period, prorated for the time of active status in sales role. ▪ Sales employees who transfer after distribution of Sales Letter, but prior to the end of 30-day review period, will be paid incentives due according to Sales Letter/Sales Plan for the time of active status in sales role.
8.4. Terminations *Leave the company voluntarily or involuntarily*	▪ Incentive pay is calculated with full measure period TIA, full measure period goals and performance credit for time in sales position. ▪ Sales employee receives full credit through the month of termination. ▪ Employee receives earned FSO attainment based on active sales time. ▪ Employee must be assigned to Sales Plan with a bonus program at the time of bonus payment to receive bonus incentives. ▪ If the Sales Plan is in a draw payment cycle when the termination occurs, all liabilities will be recovered based on actual performance. ▪ Sales performance that credits after termination, but for the time sales employee was active in Sales Plan, will be calculated for payment in the pay cycle corresponding to the date of performance credit. ▪ Sales employees who terminate prior to the assignment of a Sales Letter will be paid 100% TIA for the measure period, prorated for the time of active status. ▪ Sales employees who terminate after distribution of Sales Letter, but prior to end of 30-day review period, will be paid incentives due according to Sales Letter/Sales Plan. ▪ Incentive payment will be reduced by any outstanding liabilities as permitted by law. ▪ For involuntary terminations, liability due for performance level pay advances will be prorated for the time of active status in sales role.

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8.5. Workforce Management (WFM)	▪ WFM programs are defined and managed by Human Resources. ▪ The Terminations section of this Adjustments table applies unless it conflicts with the current Human Resource WFM program. ▪ Consult your Country Sales Compensation Operations contact for additional WFM details relative to incentive compensation. ▪ When the WFM period begins mid-month (any day other than the first of a month), employee may be paid per Sales Plan through the end of the month or 100% TIA for the month in which WFM begins, but no less than 100% TIA. Either way, the effective date of the WFM period is unaffected.
8.6. Target Incentive Amount (TIA) Adjustments	▪ A sales employee's TIA may be changed mid-measure period, effective on the first of a month. ▪ If a TIA adjustment occurs mid-measure period, the sales employee's TIA for the measure period will be averaged for incentive pay calculations. For example, if a TIA change is effective in the fourth month of a six month measure period, the original TIA for months 1-3 is added to the TIA for months 4-6 and the average TIA is used to calculate the incentive payments due for the full measure period.
8.7. Quota Adjustments *Increase or decrease of quota (any performance metric) after Sales Letter distribution at the start of a measure period*	▪ Quota adjustments may be implemented during a measure period and are controlled by a region quota adjustment process. ▪ Business Group Sales Manager/Vice President and Business Group Finance Manager (as specified in region process) must provide written approval and explanation for quota adjustments submitted to Region SCO for implementation. ▪ Quota adjustments causing quota unassigned at the sales representative level within a district must be approved per the HP Global Delegation of Authority Policy. ▪ All adjustments will be made on the first of a month. Quota adjustment requests submitted in the current month will be implemented in the following month unless the request is for a retroactive adjustment. ▪ For prospective quota adjustments, quota is prorated (seasonality factored where applicable) for each portion of the measure period (for time covered by initial quota and time covered by new quota).
8.8. Sales Assignment Adjustments *Addition or deletion of account or geographic sales coverage for a sales employee after the start of a measure period*	▪ Adjustments to sales assignments anytime during a measure period are addressed on a case-by-case basis and require approval by sales management, and Sales Compensation Operations. Based on quota impact, Business Finance may also provide approval. ▪ Adjustments to sales assignments will be effective on the first of the month after assignment change is approved. ▪ Sales managers are responsible to review impact of company mergers, acquisitions, subsidiary changes, etc. to determine if a sales assignment adjustment and/or quota/goal adjustment is required. Effective date of such assignment changes are dependent upon timing of changes in customer reference system. ▪ When a sales employee becomes inactive for a period of time or terminates from

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	the company, sales assignments of other sales employees may be adjusted to accommodate coverage of the geographic area, team, or account. ▪ Quota/goals of sales employees who cover the assignment of the inactive employee may be modified to accommodate the change in assignment.
8.9. Changes to Base Pay, Job Code or Standard Hours	▪ All changes in base pay, TIA, job code or standard hours originate from the manager of the sales employee and must be submitted to Human Resources for approval and processing.
8.10. Part-Time Employees	▪ Incentive pay is based on prorated TIA for any incentive sales employee who is considered part-time per country law and eligible for incentive pay per this policy.
8.11. Leave of Absence (LOA) *(as defined by Human Resources policy)*	▪ For leave of absence of two consecutive calendar months or less of a measure period, sales employee remains on Sales Plan (if Sales Letter was distributed and 30-day review period satisfied) and incentive pay is calculated with full measure period TIA, full measure period goals and actual performance. ➢ If Sales Letter was not distributed prior to beginning of leave, 100% TIA (prorated for days on leave) is paid. ➢ If Sales Letter was distributed, but 30-day review period not yet satisfied when leave begins, sales employee will be paid incentives due according to Sales Letter/Sales Plan. ▪ For leave of absence longer than two consecutive calendar months of a measure period: ➢ Incentive pay is calculated with prorated TIA, prorated goals and actual performance for time of active status, unless Sales Letter was not distributed prior to beginning of leave. ➢ If Sales Letter was not distributed prior to beginning of leave, 100% TIA (prorated for days on leave prior to pay based on HR leave administration policy) is paid. ➢ If leave of absence begins in the middle of a month, incentive pay is calculated based on full calendar month. ➢ If leave of absence ends in the middle of the month, sales employee is paid 100% TIA for that month, prorated for time worked. ➢ For the period of leave, incentive pay does not apply. Sales employee will be removed from Sales Plan and paid based on country/local HR leave administration policy. ➢ Upon return from leave, employee will be assigned to a Sales Plan, effective the first full calendar month of return, unless two full calendar months do not remain in the measure period. 100% TIA payment will be prorated for partial month and until start of new measure period if two full calendar months do not remain in current measure period. ▪ Each HR status change is treated independently per this LOA policy. ▪ If a sales employee extends a leave with vacation time, assignment to Sales Plan will occur the first full calendar month after return from vacation, unless two full

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calendar months do not remain in the period (refer to prior bullet). 100% TIA payment willl be prorated for period of vacation.

9.0. Incentive Pay Timing Considerations

- Incentive pay is based on monthly pay cycles.
- Incentive pay is provided to sales employee as soon as possible after sales crediting occurs within the compensation system.
- Incentive payments occur in the month following sales crediting.

10.0. Management Incentive Performance Review (MIPR)

HP has implemented a management review policy to evaluate sales performance significantly above target. This evaluation does not include bonus and SPIF performance. This policy complies with HP's Pay for Performance philosophy and is considered fair and equitable for both employees and the company. When a sales employee reaches an identified performance threshold, a management review occurs. As a result of these reviews, management may adjust sales goals, may hold incentive payments until review is complete, or may recover unapproved payments to ensure fair measurement of performance.

Review of individual performance/sales credits by Sales Compensation Operations (SCO) is considered external and a pre-requisite to management approval. This ensures that management only reviews data that has been validated (based on current information available to SCO) as complete and accurate from operational and system perspectives.

The region and country business group sales management organizations are responsible for conducting reviews and providing approvals, once an employee's attainment reaches 250% TIA attainment and at each additional 100% incremental TIA attainment Additional reviews and approvals may be added as deemed appropriate by Country or Region management.

The following documents located on the WW E2E Sales Compensation website (http://wwsalescomp.corp.hp.com/index.html) contain additional details:

- HP Global Sales Compensation Delegation of Authority Policy
- HP Global Sales Compensation Management Incentive Performance Review (MIPR) Process

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The principal method of recognizing sales representatives and sales entities for sales effort is sales credit, based on defined quota. Sales credit drives sales employee compensation. The sales credit principles identified herein apply in conjuction with specific sales credit performance measures identified in the employee's Sales Plan.

11.0. Quota Setting and Deployment

11.1. ASPIRE Quota Setting	▪ ASPIRE quota is set in United States Dollars (USD) and defines expected financial performance (revenue or order values net of discounts, price adjustments and surcharges). ▪ ASPIRE quota is used by Regions and Global Business Units (GBU) to track actual order/shipment performance. ▪ ASPIRE quotas are established in USD after agreement from each business and the sales teams that plan to sell their products or services.
11.2. Quota Deployment	▪ 100% of all ASPIRE quota must be allocated as performance metric quota to sales employees at the beginning of each period. ▪ Quota is issued in U.S. dollars (USD). ▪ Each region sales management team must ensure that ASPIRE quotas are properly uplifted per Worldwide standards to cover planning variation and business risks for the products or services they sell. Region average uplifts lower than the prescribed uplift factor ranges for each measure period must be approved by the Worldwide Business Finance Manager.

12.0. General Sales Credit Eligibility

- Sales credit granted to sales employees during the measure period must be aligned to the quota (or other) goals established at the beginning of the period per the employee's Sales Plan.
- Sales credit is applied in U.S. dollars (USD).
- Generally, sales credit for hardware and software products is provided based on ship date. Sales credit may be based on revenue date or invoice date during early phases of product acquisitions.
- Sales credit for services and attached packaged services is provided based on order date.
- Hardware products, software products and attached packaged services must be ordered within 90 days of order delivery.
- Sales credit is not provided for estimated products or services that are expected to be delivered, or expected usage fees.
- HP may require deals to be forecasted for sales employee to receive sales credit.
- For sales that involve both an account specialist and a product or service specialist, both parties may receive 100% sales credit, as defined in each employee's Sales Plan.
- For sales situations where a sales employee performs two separate functions in securing an order, sales credit is only granted for one sales function, per sales employee, per order.
- Sales credit is not granted to a direct sales rep for indirect sales when the end-user customer is not known.

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12.1. Margin Credit	▪ Country and region gross margin performance may only be disclosed to country and region sales directors and sales vice presidents. Account margin performance may only be disclosed to Client Business Managers, Corporate Client Managers, and Service Principals at transaction level or in format of proxy table.
12.2. Sales Credit Dates	▪ The order certification date is the date that the end-user customer/channel partner, the sales employee and order management agree that the order is complete and meets HP's Order Acceptance Policy requirements. ▪ For transactions that credit by order, the date that appears on the system-generated order transaction of record is the date used to recognize sales credit. ▪ For transactions that credit by shipment, the date that appears on the system-generated shipment transaction of record is the date used to recognize sales credit. This date may not always represent the date of first movement of a product from HP to the end-user customer or channel partner. ▪ Sales credit for a given sales measurement period is subject to the deadlines (i.e. systemic processing, manual claim, credit inquiry, cycle close) published by each Region Sales Compensation Operations team. Sales credit that is not processed during a given measure period, as a result of missing a systemic, manual claim or inquiry deadline, will be processed during the next measure period. If a claim is not submitted before a cycle close deadline, sales credit will not be applied.
12.3. Negative Transactions	▪ HP reserves the right to reverse sales credit if orders are returned or service contracts are not fully executed by customer. ▪ All negative transactions (including cancellations, returned products, adjustments to quota, administrative error, etc.) from orders or shipments that originated in the prior measure period will be treated as negative credit in the month the negative transaction occurs. ▪ The negative credit affects the sales employee who covers the sales assignment at the time of the negative transaction.
12.4. Indirect Sales	▪ For products and services in APJ and EMEA that contain special pricing, sales credit is calculated as the Converted Local Currency Price (CLCP) to the channel partner/reseller net of actual discounts and price adjustments. For all other claims that do not contain special pricing, sales credit is calculated as the CLCP to the channel partner net of a weighted average discount. ▪ For products and services in Americas, sales credit is calculated either as a percentage of the CLCP for the product or as the CLCP to the channel partner/reseller net of discounts and price adjustments. ▪ For indirect sales to retailers the consumer is never known and end-user sales credit is not granted.

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13.0. Sales Credit Eligibility Notes – Products and Services	
13.1. HP Products and Services Eligible for Sales Credit	▪ Sales employees receive sales credit for all HP-branded products or services that are sold directly or indirectly to end-user customers and channel partners. ▪ Sales credit is applied for items with an HP product or service number and HP-associated warranty. This allows both products purchased from other suppliers and also services sub-contracted for third party delivery that have been assigned an HP product or service number and associated HP warranty to be sold as HP-branded products or services with corresponding sales credit. ▪ Sales credit is applied for travel charges billed with HP services. ▪ Sales credit is applied for installation/site preparation charges and support agreements when sold upfront. ▪ Channel Partner sales teams receive sales credit for supply chain services sold as products. ▪ Sales credit is not provided for replacement part orders. ▪ Sales credit is not provided for extensions of HP Financial Services leasing agreements that have expired. **NOTE:** HP software products booked under product line 79, such as Internet Usage Manager (IUM), OpenView Service Activator (OVSA) and Enterprise Risk Manager (ERM) product suite credit at 100%.
13.2. Non-HP-Branded Products and Services Eligible for Sales Credit	▪ Non-HP branded products that are sold to end-user customers and channel partners and not warranted by HP are booked at their net resale value as a fiscal order/shipment. ▪ When HP sells non-HP branded accessories for personal computers as part of a solution, sales employees may receive sales credit for 100% of the non-HP branded products net resale value. ▪ Cisco products sold as part of a solution, are credited at 50% of the Cisco products net resale value. ▪ For all other non-HP branded products sold as part of a solution, sales employees are credited 15% of the non-HP branded products net resale value. ▪ Sales credit is not applied for non-HP branded services that are subcontracted and not warranted by HP. ▪ In some countries, a margin requirement may also apply to non-HP branded products or services for sales credit eligibility. Any such margin requirements are documented in a region or local sales compensation guideline document.
13.3. Technology Services – General	New support agreements (not packaged services) may be classified as follows: ▪ New services on "new" equipment: Services as part of a hardware/software sale sold within 90 days after warranty start date or software purchase date; OR ▪ New services on "older" equipment: Services sold later than 90 days after warranty start date or software purchase date or existing hardware/software that were not under support in the last 180 days (includes winbacks after 180 days of original contract expiration).

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13.3.1. Technology Services – New Support Agreements (not pre-paid)	▪ The order date for new support agreements must be within 180 days of the start date of the agreement. Sales credit for new support agreements will be recognized on the order date with 12-month maximum credit. ▪ Sales credit will be granted for add-ons (both single product and additional agreement) to existing upfront support agreements and ongoing support agreements if the add-on order date falls within 180 days of the start date of the add-on, provided the order for the existing agreement has already been recognized. Add-ons will be recognized through the end of the existing agreement term with a 12-month maximum. ▪ For multi-year agreements, the customer can provide HP with a multiple year purchase order upfront or issue annual purchase orders. If the customer provides HP with a multiple year purchase order upfront, the annual renewal will be recognized on the anniversary date of the original order with a 12-month maximum. If the customer issues HP annual purchase orders, the annual renewal order date must be no earlier than 90 days prior to the expiration of the annual renewal cycle with a 12-month maximum.
13.3.2. Technology Services – Pre-paid Services	▪ New upfront pre-paid packaged services purchased as part of the hardware/software sale will be recognized in their entirety and must be sold within 90 days after warranty start date or software purchase date. ▪ The order date for new pre-paid support agreements must be within 180 days of the start date of the agreement. Credit for the full amount of new pre-paid support agreements is recognized on the order date. ▪ The order date for pre-paid extensions/renewals that are added to a current prepaid support agreement must be within 90 days prior to the expiration date of the original agreement. Credit for the full amount will be recognized on the order date. ▪ For prepaid orders, the customer must agree to a terms and purchase authorization commitment and provide single payment for the total amount at the start of the support agreement. ▪ New packaged services purchased as part of the hardware/software sale financed by HP Finance are considered pre-paid. Renewal support agreements that are financed through HP Finance will not be recognized at a pre-paid value.

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3.3.3. Technology Services – Renewal Support Agreements	▪ The order date for renewal support agreements (limited order authorization – annual or multi-year) must be within 90 days of the expiration date of the previous agreement. Standard renewals of support agreements will have the full amount recognized on the order date with a 12-month maximum. ▪ Order credit for conversions of packaged services and warranty conversions that are integrated into a renewal support agreement will be recognized at time of support agreement renewal. ▪ Conversions of renewal support agreements to reprice support agreements (evergreen, open order authorization) are treated as renewal support agreements. The order date must be within 90 days of the expiration date of the previous agreement. ▪ Annual renewals of reprice support agreements will have the full amount recognized on the anniversary date of the agreement with a 12-month maximum. ▪ Annual renewals of multi-year support agreements (single purchase order) will be recognized on the anniversary date of the original order with a 12-month maximum. ▪ The annual renewal order date for multi-year support agreements (annual purchase order) must be no earlier than 90 days prior to the expiration of the annual renewal cycle with a 12-month maximum.
13.3.4. Technology Services – Per Event Services	▪ Delivery of Per Event Services must start within 180 days of agreement date. ▪ Orders for a per event service may include complex hardware/software installations, assessments, advisory support, etc. If the scope of the work can be defined, planned and priced upfront, orders with a Converted Local Currency Price (CLCP) greater than 100 thousand USD may be booked with delivery scheduled over a maximum of 12 months. Orders for delivery past 12 months of the original order date will be entered in monthly or quarterly increments as they are included within the moving 12-month window for required delivery. Orders with a CLCP less than 100 thousand USD may be booked with delivery scheduled over a maximum of three years. ▪ If the scope of the work is not planned and pricing cannot be defined upfront, sales credit occurs after service delivery.
13.3.5. Technology Services – Per Call Services	▪ Per call time and materials services, typically initiated directly through the service delivery organization for hardware/software not covered by a support agreement, are booked as a fiscal shipment. Sales credit does not apply.
13.3.6. Technology Services – Education Services	▪ Education services must be ordered within 180 days of delivery/start of agreement. ▪ Orders for education services with a CLCP greater than 100 thousand USD may be booked with delivery scheduled over a maximum of 12 months. Orders for delivery past 12 months of the original order date will be entered in monthly or quarterly increments as they are included within the moving 12-month window for required delivery. ▪ Orders for education services with a CLCP less than 100 thousand USD may be booked with delivery scheduled over a maximum of three years. ▪ If the scope of work is not planned and pricing cannot be defined upfront, sales credit occurs after service delivery.

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13.4. Technology Management Solutions (TMS)	▪ A TMS custom agreement is one in which HP agrees to deploy, support or out-task an end-user customer's distributed or data center environment that could include both HP and multi-vendor hardware/software. ▪ Sales credit for all TMS services is granted for 100% for the first 12-month value. ▪ In the Americas and EMEA regions, Sales credit is granted for 125% of the first 12-month value (not total contract value - TCV) of the HP annuity services provided that the original (not renewal) TMS custom agreement meets the following criteria: ➢ Minimum three-year agreement; and ➢ Has a net CLCP value of at least 300 thousand USD TCV for Business Continuity Services; and meets at least one of the following criteria: • Has a net CLCP value of at least four million USD TCV in large countries or two million USD TCV in small countries for all other services; or • Has an upsold net CLCP value at least 50% greater than the end-user customer's current support agreement. ➢ The appropriate region sales manager classifies the countries within their region as either large or small. ▪ Sales credit for add-on orders will be provided at 125% of the value for the remaining months of the first year of the TMS custom agreement (Americas and EMEA regions).
13.5. Managed Services (MS) – General	▪ Sales credit is granted to CBMs, CCMs, SPs and EAMs for the sales of new managed services outsourcing engagements at the rate of 20% of the first year value of the contract with no quota assigned. New business includes both the sale of a new outsourcing engagement (never existed before) to a new or existing customer for the first 12 months and also the resale of an outsourcing engagement to an existing customer that replaces an outsourcing engagement contract that has expired. ▪ Sales credit is not granted for existing hardware and software products that are acquired as a result of a new managed services outsourcing engagement. ▪ Sales credit is granted only to CBMs, CCMs, SPs and EAMs at the 12-month anniversary date for add-ons and renewals (ongoing business) of existing managed services agreements. ▪ Sales credit is granted to the sales representative at the shipment/order date for additional new hardware/software products and services that are incremental to the existing installed base when the new managed services agreement was signed. ▪ For Technology Management Solutions (TMS), all sales roles with quota assigned receive 100% sales credit for the first 12 months.

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13.6.1. Managed Services and Managed Print Services – **New Agreements**	▪ New Managed Services may include Due Diligence or Transition and Ongoing agreement orders as separate transactions. ➢ The Due Diligence order includes evaluation of customer requirements, environment, needed infrastructure, etc. ➢ Transition services include setup of the customer's operations environment as a pre-requirement to enter into the Ongoing services, which are the contractually managed services. ➢ Transition services may be delivered by consulting and integration, managed services and managed print services teams. ➢ Transition and Ongoing services must be treated as one agreement. The transition amount is spread over the total contract duration. The total contract value is booked in yearly 12-month increments. An exception is when the customer purchases Transition services as a pilot, in which case Transition services are an extension of Due Diligence. ▪ The order date for new managed services must be within 180 days of the start date of the service. ▪ Orders for Due Diligence (when negotiated as a separate transaction from the transition/ongoing services) will be recognized for full sales credit on the receipt of a purchase order or signed agreement, with a 12-month maximum. ▪ Orders for new Transition and Ongoing managed services will have 50% of the amount recognized on the receipt of a purchase order or signed Letter of Commitment (LOC), with a 12-month maximum. The remaining 50% of the amount will be recognized on the receipt of the signed Service Level Agreement (SLA), with a 12-month maximum. ▪ The order date for add-ons to Managed Services agreements must be within 180 days of the start date of the add-on, provided the order for the existing agreement has already been recognized. Add-ons will be recognized through the end of the existing agreement's term with a 12-month maximum, to align the add-on end date to the yearly periods of the original agreement.
13.6.2. Managed Services and Managed Print Services – **Renewal Agreements**	▪ Standard renewals, annual renewals of multi-year agreements, and evergreen managed services agreements will be recognized in yearly increments on the anniversary date (not the order date) of the first order/agreement.
13.6.3. Managed Services and Managed Print Services – **Pre-paid Agreements**	▪ The order date for new or resold prepaid managed services agreements must be within 180 days of the start date of the agreement. ▪ Full sales credit for prepaid managed services agreements will be recognized upon receipt of the signed Service Level Agreement (SLA). ▪ The customer must agree to a terms and purchase authorization commitment and provide single payment for the total amount at the start of the support agreement. ▪ Managed services agreements financed by HP Finance are not considered prepaid.

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13.6.4. Managed Services and Managed Print Services – Project Managed Services	▪ Project Managed Services are standalone services which are not part of Due Diligence, Transition or Ongoing services agreements. These are "one-off" projects negotiated separately from Managed Services agreements. ▪ The order date for new project managed services must be within 180 days of the start date of the services. ▪ Orders for new project managed services with a CLCP greater than 100 thousand USD may be booked with delivery scheduled over a maximum of 12 months. ▪ Orders for delivery past 12 months of the original order date will be entered in monthly or quarterly increments as they are included within the moving 12-month window for required delivery. ▪ Orders with a CLCP less than 100 thousand USD may be booked with delivery scheduled over a maximum of three years.
13.7. Consulting and Integration	▪ Consulting and integration services must be ordered within 180 days of delivery/start of agreement. ▪ Orders for consulting and integration with a CLCP greater than 100 thousand USD may be booked with delivery scheduled over a maximum of 12 months. ▪ Orders for delivery past 12 months of the original order date will be entered in monthly or quarterly increments as they are included within the moving 12-month window for required delivery. ▪ Orders for consulting and integration with a CLCP less than 100 thousand USD may be booked with delivery scheduled over a maximum of three years. ▪ An exception is Transition services delivered by consulting and integration as part of a Managed Services agreement for which the transition amount is spread over the total contract duration and the total contract value is booked in yearly 12-month increments.
13.8. Pay-Per-Use and Utility Sales	▪ A Pay Per Use (PPU) agreement is one in which the customer pays a monthly fee that is calculated on a fixed predefined fee plus variable usage fee (based on monthly usage) for the use of HP products or services. ▪ A Utility agreement is one in which the customer pays a monthly variable fee that is calculated on actual usage of the HP products or services. ▪ PPU and Utility sales have custom terms and conditions and are usually managed through HP Financial Services. ▪ Sales credit is provided for the net CLCP of the HP products shipped to the customer. ▪ Sales credit may be provided for estimated usage, based on agreement with HP. ▪ Sales credit is provided for the 12-month value of the HP annuity services associated with the products shipped, provided that: (1) the customer is contractually obligated to pay a minimum usage fee over the life of the agreement that guarantees HP payment for the products shipped to the customer site(s) or (2) the customer is contractually obligated to pay for the residual value of the products shipped to the customer site(s) if the agreement is terminated prematurely. ▪ If these contractual conditions are not satisfied, sales credit is provided after product shipment or service delivery.

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13.9. Lifecycle Sales	▪ A Lifecycle custom agreement is one in which HP agrees to deliver, install, and support a large volume of products over a multi-year period in phases. ▪ Sales credit is provided for the net CLCP of the products or services that the customer contracts to take delivery of during the first 12 months of the agreement. Sales credit is not provided for estimated products or services that are expected to be delivered. ▪ For each subsequent delivery phase of the agreement, sales credit is provided for products or services per customer delivery contract. ▪ If these contractual conditions are not satisfied, sales credit is provided after product shipment or service delivery.
14.0. Sales Credit Eligibility Notes – Sales Role Specific	
14.1. Client Business Manager (CBM)	▪ The CBM receives 100% sales credit for their account for all orders or shipments from all countries regardless of where quota has been deployed. ▪ For multinational transactions the CBM receives 100% sales credit for the value of the orders or shipments. This includes the sales credit for services plus the non-HP branded products or services orders for their account. ▪ The CBM is measured on the total sales credit for hardware/software products plus total sales credit for all services for their account.
14.2. Corporate Client Manager (CCM)	▪ The CCM is measured exactly as the CBM except the scope of their assignment is less than the entire account.
14.3. Services Principal (SP)	▪ The SP receives 100% sales credit for their account for all services orders from all countries regardless of where quota has been deployed. For multinational transactions the SP receives 100% sales credit for the value of the orders. The SP is measured on the total sales credit for services plus the non-HP branded products or services orders for their account.
15.0. Multinational Sales	
As worldwide solutions are complex, it is usual for more than one party to be involved in finalizing sales. In such situations, it is necessary to allocate sales credit in a manner that recognizes genuine sales contribution, is motivational to the parties involved, and minimizes inter-party conflicts. Multinational sales credit, which recognizes the multiple contributions of cross-regional sales teams in obtaining orders and subsequent shipments or deliveries, permits this to occur.	
15.1. Multinational Sales Credit Splits	▪ Sales credit may be split 50% to the sold-to country and 50% to the ship-to country for all hardware, software, technology services, consulting and integration, managed services, etc., with the exception of stand-alone image and printing (IPG) products. ▪ Multinational sales credit for sales of standalone IPG products may be negotiated by IPG country sales managers. ▪ Shipments of standalone IPG products and technology services agreement orders, must have a CLCP greater than 100 thousand USD to qualify for a multinational country sales credit split. ▪ A multinational sales credit split will not be granted to an individual country sales employee for a technology services agreement order when the amount split to their country is less than 10 thousand USD per country. ▪ For all other products or services, there is no minimum order/shipment value to qualify

SALES CREDIT POLICIES	
	for a multinational sales credit split.
15.2. Large Opportunities	▪ Large opportunities are orders or shipments of products or services that have a customer purchase order total CLCP greater than 1 million USD. ▪ The minimum technology services agreement order values do not apply. ▪ Influencer sales – A country sales rep whose selling effort is influencing in nature (not the sold to or ship-to country) is entitled to a 25% sales credit split. When a selling influencer role occurs in a large opportunity, the multinational sales credit split is 25% to the influence country, 25% to the sold-to country and 50% to the ship-to country. ▪ Influencer credit is approved as follows: ➢ Corporate Accounts: CBM ➢ Enterprise Accounts: The sold-to Region Industry Vertical Manager (IVM) ➢ Other accounts: Country Sales Manager of the influencing sales employee ▪ Negotiated splits – Some situations may require negotiated splits. ➢ Corporate Accounts: CBM ➢ Other accounts across regions: Country Sales Managers must agree and approve. ➢ Other accounts within APJ countries: all opportunities (no USD value minimum) may be negotiated for multinational sales credit splits.
15.3. International Funding Organizations (IFO)	Pre-approved IFOs require that orders be placed in their home country regardless of where the hardware/software products will be shipped and/or the services delivered. These exception orders are usually for multi-year turn key solutions and do not involve a Systems Integrator (SI) from the home country of the IFO. Since there is no sales employee involvement from the home country of the IFO, all of the sales contribution comes from the destination countries. In these selling situations, 100% sales credit is applied to the destination country.

16.0. Communications, Media & Entertainment Joint-Go-To-Market (CME JGTM) Program	
The Communications, Media & Entertainment Joint-Go-To-Market (CME JGTM) program replaces the former Network Service Providers Joint-Go-To-Market (NSP JGTM) program. Refer to CME JGTM website for additional information: http://cmeonline.hp.com/jgtm/default.asp	
16.1. Sales Credit Eligibility	Sales credit may apply for pre-approved CME JGTM partners, when HP products or services (excluding support renewals and managed services) are sold as follows: ▪ to an CME JGTM partner acting as a Value Added Reseller (VAR) who resells to an end-user customer/service provider; or ▪ cooperatively with an CME JGTM partner to an end-user customer/service provider; or ▪ to an CME JGTM partner who provides the end-user customer a solution or service where the CME JGTM partner takes title to the products or services without transferring product ownership to the end-user.
16.2. Sales Credit	▪ 50% sales credit is split to the CME JGTM headquarters (HQ) team in sold-to Country A and 50% sales credit is split to the CME JGTM promoter sales rep in ship-to country B. If there is no promoter sales rep in ship-to country B, then the CME JGTM headquarters team receives 100% sales credit. ▪ In addition, 100% sales credit is applied to the end-user customer/service provider sales rep in ship-to country B if that sales rep is a different person than the CME JGTM promoter sales rep in ship-to country B. One sales rep may not receive more than 100% credit.
16.3. Claim Information	▪ Minimum claim threshold: Orders or shipments must meet minimimum CLCP of 50 thousand USD. An exception is Nokia for which the minimum threshold for CME JGTM claims is orders or shipments with a CLCP of 25 thousand USD. ▪ **Approvals Required:** Each CME JGTM claim with a CLCP greater than 100 thousand USD must be approved by either the CBM of the CME Provider or the Global Inbound Corporate Accounts Manager. ▪ Claims for CME JGTM sales credit must be submitted at the following website: http://cceor12.cce.cpqcorp.net:4082/smcw

POLICY HISTORY	
Records Retention Information	Each published version of this policy is to be retained per Global Records Management (GRM) requirements under GRM Record Series AC814. The retention period for this policy is classified as "Tax Department Clearance (TDC)." The Project Manager for each policy revision is responsible for records management.
Revision History	

Revision Date	Revision Notes
01-Nov-2006	Combines the 2H06 versions of the Global Sales Compensation Incentive Pay Administration Policy and the HP Sales Credit Policy and incorporates policy changes approved for FY07.
17-May-2006	Initial release of Global Sales Compensation Incentive Pay Administration Policy, effective 2H06.

EXHIBIT 5

HP GLOBAL SALES COMPENSATION POLICY *HP Restricted*			
Organization:	HP Worldwide E2E Sales Compensation	**Policy #:**	HP062-01
Sponsor:	Tim Carley	**Revision:**	01-Nov-2007
Global Contact:	Carla Hogan, WW Sales Compensation Global Policy Analyst +1 407-359-8834 carla.hogan@hp.com	**Effective Date:**	01-Nov-2007
Americas (AMS) Contact:	Kim Murphy, +1 916-785-6110		
Europe, Middle East and Africa (EMEA) Contact:	Guido Marsili, +39 02-9212-2260		
Asia, Pacific and Japan (APJ) Contact:	Shiao-Ling Lim, +61 3-8877-8489		
Location of Policy:	http://wwsalescomp.corp.hp.com/Policy/GSCPolicy.html		
Purpose:	The purpose of the HP Global Sales Compensation Policy is to represent the standard treatment of sales credit and incentive pay administration within HP Sales Compensation. The primary audience is HP Sales and the policy is implemented by HP E2E Sales Compensation.		
Scope:	This policy applies to all HP employees assigned to a sales compensation plan (Sales Plan) in each business group; however, HP Financial Services (HPFS) sales employees are not subject to the sales credit topics. Contingent workers are not subject to this policy. This policy is in effect beginning November 1, 2007 for FY08 and future measure periods, until replaced or discontinued. This policy replaces any previous HP global or regional sales compensation incentive pay administration policies, including the Global Sales Compensation Incentive Pay Administration Policy and the HP Sales Credit Policy. Regional or local sales compensation guidelines may be developed that clarify regional details or to document differences from global policy as approved by Worldwide E2E Sales Compensation.		

HP GLOBAL SALES COMPENSATION POLICY *HP Restricted*	
Policy Exceptions:	Documented national or local laws may dictate exceptions to this policy. Consult the regional or local HP Legal Department to determine approved exceptions based on national or local laws. Exceptions to this policy (other than legal exceptions) must be approved in writing by Worldwide E2E Sales Compensation or as documented in the HP Global Sales Compensation Delegation of Authority Policy. Short-term policy exceptions may be required due to company mergers and acquisitions. Such exceptions will be based on contractual terms and HP management decisions identified in the integration activities led by HP.
Workers' Councils Note:	For countries that require consultation with workers' councils and/or other employee representatives, this policy is not intended to provide country-specific information. Where required by law, specific items of this policy may be subject to consultation with workers' councils and/or other employee representatives.
Business Conduct and Gray Marketing Policy Note:	Sales employees who fail to comply with HP's Standards of Business Conduct or HP's End-User Customer Verification Policy or who willfully, knowingly or negligently facilitate sales of HP products that move outside the normal distribution model, may be subject to appropriate disciplinary action and/or compensation sanctions, including (but not limited to): the withholding of stock options, incentive pay and bonus compensation.

ADDITIONAL REFERENCE

Following are sources of additional reference materials related to sales compensation.

Reference	Web Address	Responsible Organization
HP WW Sales & Marketing Policies [Includes HP Order Acceptance Policy (215.0400) and HP End-User Customer Verification Policy (216.0400)]	http://tce.corp.hp.com/marketing_policies/	Worldwide Sales Support Operations/ Marketing Policy Manager
HP Human Resources global and local policies (Includes HP Standards of Business Conduct)	http://athp.hp.com/portal/site/athp/menuitem.8db226267ca6ee9a0da96c32238f82f0/	HP Human Resources
Region and/or local sales compensation guidelines	Contact your Region or Country Sales Compensation Operations (SCO) Org	Region or Country Sales Comp Operations (SCO)
Sales Compensation Terminology	http://wwsalescomp.corp.hp.com/SCglossary.htm	WW E2E Sales Compensation
HP Total Rewards Glossary	http://hrcms01.atl.hp.com:6041/public/pages/edu_trn/en_US/text_page_20036.htm	HP Human Resources
HP Global Sales Compensation Delegation of Authority Policy	http://wwsalescomp.corp.hp.com/docs/governance/GSCDOAPolicy.html	WW E2E Sales Compensation
HP Global Sales Compensation Process -- Management Incentive Performance Review (MIPR)	http://wwsalescomp.corp.hp.com/Reference/GlobalMIPRProcess.html	WW E2E Sales Compensation
HP Global Treasury pricing and accounting foreign exchange conversion rates	http://finance.hp.com/treasury/fx	HP Global Treasury
Communications, Media & Entertainment Joint-Go-To-Market (CME JGTM) Program	http://cmeonline.hp.com/jgtm/default.asp	CME Joint Go-To-Market (JGTM) Organization
HPS Policy and Procedures Directory	http://tsgonline.hp.com/hpspolicies/policies/polprodDirectory.htm	HP Services
HP Accounting and Finance Manual (AFM)	http://finance.hp.com/afm/	HP Accounting and Finance

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GENERAL INFORMATION

- This policy and HP Sales Plans are classified as "HP Restricted" and are meant for internal use only.
- Sales employees are expected to review this policy and referenced materials and discuss any questions with sales management.
- None of the contents in this policy, HP Sales Plans, nor regional policy guidelines shall be construed to imply the creation or existence of a contract between HP and any participant, nor a guarantee of employment for any specified period of time.
- No Sales Plan participant will have any right to monies accrued through the plan until and unless all terms, provisions, and conditions, as set forth in this policy and the assigned Sales Plan, have been met.
- HP reserves the right to adjust Sales Plans as necessary to address changing business conditions or correct administrative error.
- HP reserves the right to change or discontinue this policy, with or without notice, at any time.

Currency Conversion

- Quota is issued and sales credit is applied in U.S. dollars (USD). Local currency for sales credit is converted to USD based upon the available HP Global Treasury Business Unit Pricing Rates. If Pricing Rates are not available from HP Global Treasury, the Accounting Rates from HP Global Treasury will be applied.
- For Sales Plans that include commissioned earnings, the Accounting Rates from HP Global Treasury are used for the currency conversion. Currency fluctuations may impact incentive pay calculations at time of payment.
- Additional adjustments to sales credit or incentive pay due to currency factors are not permitted.

INCENTIVE PAY ADMINISTRATION POLICIES

1.0. Global Sales Plan Design

The Worldwide End to End (E2E) Sales Incentive Design Team and Sales Compensation Governance Council define the framework for HP Sales Plans. This framework is designed to promote consistency across HP through the application of a consistent incentive design methodology, while enabling flexibility to each business group/sales organization in the selection of unique compensation solutions for their field jobs.

Sales Plan design is an annual process. Similar jobs within a country are treated similarly regarding eligibility for sales compensation, TIA, on-target earnings levels, pay mix and payout rates. Each sales organization is engaged annually to establish Sales Plan design.

After a measure period has been initiated, there may be a business need to change the characteristics of a Sales Plan or create a new plan for the remainder of the measure period. Managers should involve their Sales Incentive Design Business Group Manager to carefully evaluate the impact of making such changes. All new Sales Plans or plan modifications must be approved per the current global Sales Plan design framework guidelines.

2.0. Sales Plan Eligibility

The following criteria must be met to be assigned to and paid incentives according to a Sales Plan:

- HP employee, assigned to an eligible sales job code in HP Human Resource system with minimum standard work schedule of 20 hours per week.
- An HP-approved Sales Plan must be available to accommodate the employee's sales role.
- Review and acceptance of Sales Letter/Sales Plan.
- At least two full calendar months must remain in measure period for sales employee to be paid incentives based on a Sales Plan.
- More detailed Sales Plan eligibility criteria is located on the Worldwide Sales Compensation website under the "Reference" menu: http://wwsalescomp.corp.hp.com/

NOTE: HP sales employees are not eligible to receive sales compensation from any source outside of HP.

3.0. Sales Letters

- A Sales Letter is a document that defines the Sales Plan and communicates how a sales employee is paid for a particular measure period. In the Americas region, the Goal Sheet and Credit and Compensation Plan together comprise the Sales Letter to the sales employee.
- Sales Letters will be issued to all sales employees as early as possible in the measure period.
- For new hires and internal transfers, a Sales Letter will be issued mid-measure period when the sales employee is assigned to a Sales Plan.
- A Sales Letter may also be provided to a sales employee mid-measure period if Sales Plan changes occur.
- It is the employees' responsibility to review their Sales Letter and escalate any concerns to Sales Compensation Operations (SCO) and to their manager within 30 days of Sales Letter distribution. The employee's manager must advise their regional SCO team in writing if there is a concern with the goals that requires research/action. While the issue is being resolved, the sales employee will be compensated per the Sales Plan (or continue with draw if in a draw period). Final resolution of any such dispute is within the sole discretion of Region E2E Sales Compensation. If an employee does not escalate concerns within the 30-day review period noted above, the Sales Plan and goals are deemed accepted.

INCENTIVE PAY ADMINISTRATION POLICIES

- Refer to Sales Compensation Adjustments section for standard treatment of incentive pay when a sales employee terminates from HP, transfers to a sales or non-sales role, or begins a leave of absence prior to distribution of Sales Letter or prior to the end of the 30-day review period for the measure period.

NOTE: Country and region gross margin quota and account margin quota may be displayed only on Sales Letters for HP country and region sales directors and sales vice presidents.

INCENTIVE PAY ADMINISTRATION POLICIES

4.0. Incentive Pay Calculation Methodologies

4.1. Period-to-Date (PTD) Calculation

Incentive pay is calculated with period-to-date calculation. The actual performance attainment percentage is determined by dividing the cumulative period-to-date sales by the quota that applies to the entire measure period. For example, in the fifth month of an annual measure period, sales for one performance metric for those five months will be measured against the total annual quota for that performance metric. This percentage is then multiplied by the TIA allocated to this performance metric for the entire measure period.

4.2. Weighted Performance Attainment (WPA)

For the majority of Sales Plans, the calculation of incentive earnings is based on the average of weighted performance attainment of two or more performance metrics. This is referred to as weighted performance attainment methodology. This approach is a departure from traditional incentive earnings calculation methodology (referred to as Independent Performance Attainment methodology) whereby incentive earnings for each performance metric are calculated and accelerated independently.

Performance attainment is tracked and determined separately for each performance metric. A sales employee's incentive earnings are determined for the entire Sales Plan based on the average performance and weight of each performance metric within the Sales Plan.

WPA Example:

SALES PLAN:		CALCULATION:
Performance Metrics (PM):	50% Top Line; 50% PMM	PM#1 weight (x) attainment (+) PM#2 weight (x) attainment: (.50 x .75) + (.50 x 1.05) = .90 (90% weighted performance attainment) Weighted performance attainment is then applied against applicable acceleration rate: .90 x 1 = 90% Earnings calculation: 90% x $15,000 = $13,500
Acceleration Rates:	<100%: 1 >100%: 2.5	
Measure Period TIA:	$15K	
Performance for Topline Metric (PM#1):	75%	
Performance for Portfolio Mix Metric (PM#2):	105%	

5.0. Bonus Programs (On-top and SPIF)

5.1. Design of Bonus Programs

- Bonus programs are designed to compensate with cash incentives only. Merchandise (such as IPODs and gift cards), E-Awards and point-driven gift programs are not valid methods for compensating sales employees for meeting sales goals and will not be approved or supported by HP Sales Compensation.
- Bonus payments may not be inflated to affect taxes due by sales employee.
- If payment caps are not identified in bonus program documentation, the following caps apply:
  - ➢ Payments from a single bonus program may not exceed 25% of sales employee's measure period TIA.
  - ➢ Bonus payments are capped at 50% of sales employee's measure period

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	TIA, for total of all bonus programs.
5.2. Eligibility for Bonus Programs	▪ Each bonus program defines a payment schedule as monthly, quarterly, semi-annual, annual or "as achieved" (paid in next standard pay cycle). Employee must be in an eligible sales job code and/or Sales Plan, in active status, for full eligibility period defined in program to earn incentive payment. ▪ Employees being paid 100% TIA are ineligible for bonuses. ▪ For six month or longer SPIF programs, employee must be in an eligible Sales Plan for at least the last three months of the program period to earn incentives under the program. If eligibility period is met, the individual is eligible for the full bonus amount earned. If eligibility period is not met, employee does not earn any incentives under the SPIF program. ▪ For three month SPIF programs, employee must be in an eligible Sales Plan for at least the last full calendar month of the program period to earn incentives under the program. If one month time period is met, the individual is eligible for the full bonus amount. If one month time period is not met, employee is not eligible to earn any incentives under the SPIF program. ▪ On-Top Bonus earnings are prorated based on number of months in eligible Sales Plan during the program measure period, unless otherwise stated in published Bonus Program documentation.
6.0. Pay Advances	
A pay advance is a compensation payment made in advance of performance, intended to provide (or supplement) cash flow to a sales employee over a defined period of time. A pay advance may be provided in the form of a draw, paid to a sales employee at a defined level, regardless of his/her performance. A pay advance may also be provided to a sales employee in anticipation of achieving a defined performance level.	
6.1. Draw	▪ HP may implement draw methodology to temporarily issue pay to incentive employees at HP's discretion. ▪ Worldwide E2E Sales Compensation defines and approves draw conditions, including: length of draw period, draw percentages, etc., for defined sales populations. ▪ New hires or transfers (non-sales to sales) who join a Sales Plan that is currently in a draw period will receive the draw for the remaining time of the defined draw period, unless sales employee is being paid 100% TIA. ▪ Sales employees who carry debt (incentive liability) may be denied draw payments, at HP's discretion. ▪ An individual sales employee may not decline a draw.

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6.2. Draw Calculations and Payments	Draws are paid one month in arrears on the standard incentive pay schedule. For example, draw for November is paid in December. Draws are paid in one-month increments using a percent of TIA deemed appropriate by the business, but not to exceed 60% of an individual's monthly TIA. **Example:** For annual Sales Plan with measure period TIA of $21,600 and 60% draw: monthly TIA = $1,800 ($21,600 / 12) and monthly draw = $1,080 ($1,800 / 60%). **NOTE:** Once the draw period has expired, incentive payment equals full incentives earned less any outstanding liabilities due, based on draw paid and any performance level pay advances paid.
6.3. Performance Level Pay Advances	Performance level pay advances, when applicable, are described in the Sales Letter provided to sales employee.
6.4. Recovery of Pay Advances	Pay advances are considered liabilities and are subject to recovery by HP.
7.0. Incentive Liability	
Incentive liability is incurred when incentives are paid but not earned. Sales employees are responsible for repayment of liability to HP. Some conditions that cause liability are: ▪ Pay advances exceed incentives earned to date ▪ Negative transactions ▪ Negative carry-over from a prior month, measure period or fiscal year Regular and timely review of sales crediting can help avoid unnecessary overpayment conditions. It is the responsibility of the sales employee to review sales crediting on a monthly basis and report errors to the appropriate Sales Compensation Operations team and sales manager.	
7.1. Negative Transactions	▪ When an order or shipment occurs in one measure period and is canceled in another measure period, incentive pay for the negative transaction will be calculated using the current sales employee's current Sales Plan and payout rate. ▪ Payout rates used for the negative transaction may be different from those used for the original incentive payment.
7.2. Repayment	▪ Incentive liability is repaid from future incentive payments, including, but not limited to: quota-based sales performance, FSO, bonus, SPIF or other performance metric. Liability also may be recovered from base pay and amounts due on termination, if necessary. ▪ Prompt repayment will be required in all liability situations. ▪ Incentive liabilities will be carried over into the next measure period, if not satisfied by the end of the prior period. This includes crossing into the next fiscal year, if necessary. ▪ If it is determined by HP that the liability amount is excessive, the employee will be asked to repay the gross amount of the liability in one full payment to HP. ▪ If a liability is carried from one calendar year to the next, repayment is based on the

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gross amount.

- Once the measure period has closed, employees who have left an assignment (by transfer out of sales or termination from HP) will be required to repay the liability amount in full, to the extent permitted by law.
- It is the sales manager's responsibility to communicate any outstanding liability to the sales employee. The sales manager should contact Sales Compensation Operations immediately upon a sales employee's transfer or termination to obtain the current liability balance.
- Repayment options can be discussed with Human Resources, HP Payroll and/or Sales Compensation Operations when any of the following conditions exist:
  - ➢ Transfer out of sales role, Workforce Management (WFM) or termination from incentive sales role. (100% of liability is due back to HP in these cases.)
  - ➢ Outstanding liability balance greater than 20% of current annual TIA. (Employee will be required to repay, at a minimum, the portion of the liability amount which exceeds 20% of annual TIA.)

8.0. Sales Compensation Adjustments

If an employee participates in a Sales Plan for less than the full measure period, TIA, goals and/or incentive pay may be adjusted. All incentive payments, including adjusted payments, are processed per the standard incentive pay cycles. Adjustments that are dependent upon confirmation from Human Resources are administered after the official HR change notification (including effective date) is received by local SCO. For commission-based plans, payment is based on credits posted for dates employee is in active HR status and assigned to a Sales Plan.

The following table lists various conditions and how they affect incentive pay. Adjustments are calculated in whole month increments unless otherwise specified.

Condition	Policy
8.1. New to Sales *New hires or employees transferring from a non-sales role into a sales role within a defined measure period*	▪ Employee may be paid base pay + 100% TIA payments for a period of time determined by sales manager and not to exceed three calendar months, beginning first full calendar month assigned to valid sales job code and Sales Plan. Payment at 100% TIA may exceed three calendar months if two full calendar months do not remain in the measure period. ▪ 100% TIA payment is prorated from date of hire to month assigned to valid sales job code and Sales Plan. If start date is mid-month (any day other than the first of a month), sales employee will be paid 100% TIA at least until the first of the following month. ▪ Sales Plan will be effective on the first of a month (with at least two months remaining in measure period). ▪ If a sales employee is assigned to a Sales Plan after the start of a measure period, incentive pay is calculated with prorated TIA, prorated goals (seasonality factored where applicable), and performance for time in position. ▪ If the first of the month falls on a weekend or holiday, Sales Plan assignments are effective for the full calendar month.

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	Example: Hire date is January 11. January 11 through January 31 will be paid at 100% TIA, prorated for days worked. Sales Plan start date could be February 1 (following month), March 1 (after one full calendar month at 100% TIA payment), April 1 (after two full calendar months at 100% TIA payment) or May 1 (after three full calendar months at 100% TIA payment).
8.2. Sales to Sales Transfers *Sales employees transferring from one sales role to another within a defined measure period*	▪ New Sales Plan will be effective on the first of a month (with at least two months remaining in measure period). ▪ Sales employee will be paid 100% TIA for the new sales role until the new measure period starts if two full calendar months do not remain in the current measure period. ▪ Incentive pay is calculated separately for each Sales Plan assignment and prorated TIA, prorated goals (seasonality and weighted performance attainment factored where applicable), and performance for time in position is used for each calculation. Performance level pay advances will be calculated on prorated quota. ▪ Sales performance that credits after transfer, but for the time sales employee was active in previous Sales Plan, will be calculated for payment in the pay cycle corresponding to the date of performance credit, based on the terms of the prior Sales Plan. ▪ Employee receives earned FSO attainment based on active sales time. ▪ If transfer occurs prior to distribution of Sales Letter, or after distribution of Sales Letter but prior to end of 30-day review period for the original sales role, sales employee will be paid 100% TIA, prorated for the time in the original sales role of the measure period until effective date of new sales role. ▪ If transfer occurs after distribution of Sales Letter, and after 30-day review period, Sales Letters for the original sales role and for new sales role are both subject to review and acceptance.
8.3. Sales to Non-Sales Transfers *Employees transferring from a sales role to a non-Sales HP position within a defined measure period*	▪ Incentive pay is calculated with full measure period TIA, full measure period goals and performance credit for time in sales role. ▪ Employee receives earned FSO attainment based on active sales time. ▪ Sales performance that credits after transfer, but for the time sales employee was active in Sales Plan, will be calculated for payment to employee. ▪ Sales employees who transfer prior to the assignment of a Sales Letter will be paid 100% TIA for the measure period, prorated for the time of active status in sales role. ▪ Sales employees who transfer after distribution of Sales Letter, but prior to the end of 30-day review period, will be paid 100% TIA, prorated for the time of active status in sales role. ▪ Liability due for performance level pay advances upon transfer from sales role to

INCENTIVE PAY ADMINISTRATION POLICIES	
	non-sales role will be based on prorated quota.
8.4. Terminations *Leave the company voluntarily or involuntarily*	▪ Incentive pay is calculated with full measure period TIA, full measure period goals and performance credit for time in sales role. ▪ Sales employee receives full credit through the month of termination. ▪ Employee receives earned FSO attainment based on active sales time. ▪ To earn bonus incentives, employee must be assigned to Sales Plan for full eligibility period defined in bonus program. ▪ If the Sales Plan is in a draw payment cycle when the termination occurs, all liabilities will be recovered based on actual performance. ▪ Sales performance that credits after termination, but for the time sales employee was active in Sales Plan, will be calculated for payment in the pay cycle corresponding to the date of performance credit. ▪ Sales employees who terminate prior to the assignment of a Sales Letter will be paid 100% TIA for the measure period, prorated for the time of active status. ▪ Sales employees who terminate after distribution of Sales Letter, but prior to end of 30-day review period, will be paid 100% TIA, prorated for the time of active status. ▪ Incentive payment will be reduced by any outstanding liabilities as permitted by law. ▪ For involuntary terminations, liability due for performance level pay advances will be based on prorated TIA and prorated goals (seasonality and weighted performance attainment factored where applicable) and performance credit for the time of active status in sales role. ▪ For voluntary terminations, liability due for performance level pay advances will be based on full period quota (not prorated).
8.5. Workforce Management (WFM)	▪ WFM programs are defined and managed by Human Resources and is sales employee's first point of contact. ▪ The Terminations section of this Adjustments table applies unless it conflicts with the current Human Resource WFM program. ▪ When the WFM period begins mid-month (any day other than the first of a month), employee may be paid per Sales Plan through the end of the month or 100% TIA for the month in which WFM begins, but no less than 100% TIA. Either way, the effective date of the WFM period is unaffected. ▪ Consult your Country Sales Compensation Operations contact for additional details relative to incentive compensation.

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8.6. Target Incentive Amount (TIA) Adjustments	▪ A sales employee's TIA may be changed mid-measure period, effective on the first of a month. ▪ If a TIA adjustment occurs mid-measure period, the sales employee's eligible TIA for the measure period will be adjusted for incentive pay calculations. For example, if a TIA change is effective in the fourth month of a 12-month measure period, the original TIA for months 1-3 (i.e., $9,000 or $3,000 each month) is added to the TIA for months 4-12 (i.e., $36,000 or $4,000 each month) and the eligible TIA for the measure period ($45,000) is used to calculate the incentive payments due for the full measure period
8.7. Quota Adjustments *Increase or decrease of quota (any performance metric) after Sales Letter distribution at the start of a measure period*	▪ Quota adjustments may be implemented during a measure period. ▪ Quota adjustments require approvals per the Global Sales Compensation Delegation of Authority Policy and are controlled by region quota adjustment processes. ▪ All adjustments will be made on the first of a month. Quota adjustment requests submitted in the current month will be implemented in the following month unless the request is for a retroactive adjustment. ▪ For prospective quota adjustments, quota is prorated (seasonality factored where applicable) for each portion of the measure period (for time covered by initial quota and time covered by new quota).
8.8. Sales Assignment Adjustments *Addition or deletion of account or geographic sales coverage for a sales employee after the start of a measure period*	▪ Adjustments to sales assignments anytime during a measure period are addressed on a case-by-case basis and require approval by sales management, and Sales Compensation Operations. Based on quota impact, Business Finance may also provide approval. ▪ Adjustments to sales assignments will be effective on the first of the month after assignment change. ▪ Sales managers are responsible to review impact of company mergers, acquisitions, subsidiary changes, etc. to determine if a sales assignment adjustment and/or quota/goal adjustment is required. Effective dates of such assignment changes are dependent upon timing of changes in customer reference system. ▪ When a sales employee becomes inactive for a period of time or terminates from the company, sales assignments of other sales employees may be adjusted to accommodate coverage of the geographic area, team, or account. ▪ Quota/goals of sales employees who cover the assignment of the inactive employee may be modified to accommodate the change in assignment.
8.9. Changes to Base Pay, Job Code or Standard Hours	▪ All changes in base pay, TIA, job code or standard hours originate from the manager of the sales employee and must be submitted to Human Resources for approval and processing.
8.10. Part-Time Employees	▪ Incentive pay is based on prorated TIA for any incentive sales employee who is considered part-time per country law and eligible for incentive pay per this policy.

INCENTIVE PAY ADMINISTRATION POLICIES	
8.11. Leave of Absence (LOA) *(as defined by Human Resources policy)*	▪ For leave of absence of two consecutive calendar months or less of a measure period, sales employee remains on Sales Plan (if Sales Letter was distributed and 30-day review period satisfied) and incentive pay is calculated with full measure period TIA, full measure period goals and actual performance. ➢ If Sales Letter was not distributed prior to beginning of leave, 100% TIA (prorated for days on leave) is paid. ➢ If Sales Letter was distributed, but 30-day review period not yet satisfied when leave begins, sales employee will be paid 100% TIA, prorated for the time of active status. ▪ For leave of absence longer than two consecutive calendar months of a measure period: ➢ Incentive pay is calculated with prorated TIA, prorated goals and actual performance for time of active status, unless Sales Letter was not distributed prior to beginning of leave. ➢ If Sales Letter was not distributed prior to beginning of leave, 100% TIA (prorated for days on leave prior to pay based on HR leave administration policy) is paid. ➢ If leave of absence begins in the middle (anytime after the first day) of a month, incentive pay is calculated based on full calendar month. ➢ If leave of absence ends in the middle (anytime after the first day) of the month, sales employee is paid 100% TIA for that month, prorated for time worked. ➢ Sales employee will be paid based on Sales Plan through the end of the month in which leave begins. For the remaining period of leave, incentive pay does not apply; sales employee is paid based on country/local HR leave administration policy.
8.11. Leave of Absence (LOA) *(as defined by Human Resources policy)*	▪ Upon return from leave, employee will be assigned to a Sales Plan, effective the first full calendar month of return, unless two full calendar months do not remain in the measure period. 100% TIA payment will be prorated for partial month and until start of new measure period if two full calendar months do not remain in current measure period. ▪ Each HR status change is treated independently per this LOA policy. ▪ If a sales employee extends a leave with vacation time, assignment to Sales Plan will occur the first full calendar month after return from vacation, unless two full calendar months do not remain in the period (refer to prior bullet). 100% TIA payment will be prorated for period of vacation.
9.0. Incentive Pay Timing Considerations	
▪ Incentive pay is based on monthly pay cycles. ▪ Incentive pay is provided to sales employee as soon as possible after sales crediting occurs within the compensation system.	

INCENTIVE PAY ADMINISTRATION POLICIES

- Incentive payments occur in the month following sales crediting.

10.0. Management Incentive Performance Review (MIPR)

HP has implemented a management review policy to evaluate sales performance significantly above target or for evaluation of credit for "large" deals. This evaluation does not include bonus and SPIF performance. This policy complies with HP's Pay for Performance philosophy and is considered fair and equitable for both employees and the company. When a sales employee reaches an identified performance threshold, a management review occurs. As a result of these reviews, management may adjust various components of the employee's Sales Plan, may hold incentive payments until review is complete, or may recover unapproved payments to ensure fair measurement of performance.

Review of individual performance/sales credits by Sales Compensation Operations (SCO) is considered external and a pre-requisite to management approval. This ensures that management only reviews data that has been validated (based on current information available to SCO) as complete and accurate from operational and system perspectives.

The region and country business group sales management organizations are responsible for conducting reviews and providing approvals, once an employee's attainment reaches 250% TIA attainment and at each additional 100% incremental TIA attainment Additional reviews and approvals may be added as deemed appropriate by Country or Region management.

The following documents located on the WW E2E Sales Compensation website (http://wwsalescomp.corp.hp.com/index.html) contain additional details:

- HP Global Sales Compensation Delegation of Authority Policy
- HP Global Sales Compensation Management Incentive Performance Review (MIPR) Process

SALES CREDIT POLICIES

The principal method of recognizing sales representatives and sales entities for sales effort is sales credit, based on defined quota. Sales credit drives sales employee compensation. The sales credit principles identified herein apply in conjunction with specific sales credit performance measures identified in the employee's Sales Plan.

11.0. Quota Setting and Deployment

11.1. ASPIRE Quota Setting	▪ ASPIRE quota is set in United States Dollars (USD), defines expected financial performance, and is based on planned net revenue (gross revenue less trade discounts, price adjustments, cash discounts, surcharges and fees). ▪ ASPIRE quota is used by Regions and Global Business Units (GBU) to track actual order/shipment performance. ▪ ASPIRE quotas are established after agreement from each business and the sales teams that plan to sell their products or services.
11.2. Quota Deployment	▪ 100% of all ASPIRE quota must be allocated as performance metric quota to sales employees at the beginning of each period. ▪ Quota is issued in U.S. dollars (USD). ▪ Each region sales management team must ensure that ASPIRE quotas are properly uplifted per Worldwide standards to cover planning variation and business risks for the products or services they sell. Region average uplifts lower than the prescribed uplift factor ranges for each measure period must be approved by the Worldwide Business Finance Manager.

12.0. General Sales Credit Eligibility

- Sales credit granted to sales employees during the measure period must be aligned to the quota (or other) goals established at the beginning of the period per the employee's Sales Plan.
- Sales credit is based on net price (not net revenue, unless defined in Sales Plan). For indirect sales in some countries, sales credit is based on indirect valuation of list price. Discounts and price adjustments affect net price and corresponding sales credit. Surcharges, fees, cash discounts (discounts for prompt payment), and freight charges do not affect sales credit.
- Sales credit is applied in U.S. dollars (USD).
- HP may require deals to be forecasted for sales employee to receive sales credit.
- Sales credit is granted to the sales employee who covers the territory or account on the date the sales credit occurs.
- For sales that involve both an account specialist and a product or service specialist, both parties may receive 100% sales credit, as defined in each employee's Sales Plan.
- For sales situations where a sales employee performs two separate functions in securing an order, sales credit is only granted for one sales function, per sales employee, per order.
- Sales credit is not granted for HP corporate contributions, grants or product/service donations.

12.1. Margin Credit	▪ Country and region gross margin performance may only be disclosed to country and region sales directors and sales vice presidents. Account margin performance may only be disclosed to Client Business Managers, Corporate Client Managers, and Service Principals at transaction level or in format of proxy table.

SALES CREDIT POLICIES	
12.2. Sales Credit Dates	▪ The order certification date is the date that the end-user customer/channel partner, the sales employee and order management agree that the order is complete and meets HP's Order Acceptance Policy requirements. ▪ For transactions that credit by order, the date that appears on the system-generated order transaction of record is the date used to recognize sales credit. ▪ For transactions that credit by shipment, the date that appears on the system-generated shipment transaction of record is the date used to recognize sales credit. This date may not always represent the date of first movement of a product from HP to the end-user customer or channel partner. ▪ Sales credit for a given sales measurement period is subject to the deadlines (i.e. systemic processing, manual claim, credit inquiry, cycle close) published by each Region Sales Compensation Operations team. Sales credit that is not processed during a given measure period, as a result of missing a systemic, manual claim or inquiry deadline, will be processed during the next measure period. If a claim is not submitted before a cycle close deadline, sales credit will not be applied. ▪ Sales credit for transactions reported by partners is dependent upon partner-reported transaction date.
12.3. Negative Transactions	▪ Sales credit will be reversed if orders are returned or service contracts are not fully executed by customer. ▪ All negative transactions (including cancellations, returned products, adjustments to quota, administrative error, etc.) from orders or shipments that originated in the prior measure period will be treated as negative credit in the month the negative transaction occurs. ▪ The negative credit affects the sales employee who covers the sales assignment at the time of the negative transaction.
12.4. Indirect Sales	▪ The intent of indirect crediting within HP is to pay sales employees based on net price to customer. ▪ For products and services in APJ and EMEA that contain special pricing, sales credit is calculated as the Converted Local Currency Price (CLCP) to the channel partner net of actual discounts and price adjustments. For all other claims that do not contain special pricing, sales credit is calculated as the CLCP to the channel partner net of a weighted average discount. ▪ U.S.: For hardware products and services, end-user sales credit is calculated as a percentage of the CLCP for the product. For software products, end-user credit equals Net Price to customer. Partner sales credit for all products and services is calculated from the Net Dealer Price (NDP). NDP is the CLCP for the product less standard discounts. ▪ Canada: For hardware products, software products and services, end-user and partner sales credit is calculated as a percentage of the list price for the product or service, except for IPG and PSG retail product lines, PL NW and HPS IB booking centers (G,PZTA01,CDNCORE), where HP based data is valued at net price. ▪ LAC: For hardware products, software products and services, end-user and partner sales credit is calculated as the CLCP to the channel partner, net of discounts and

SALES CREDIT POLICIES	
	price adjustments. ▪ Sales credit is not provided to a direct sales rep for indirect sales when the end-user customer is not known. ▪ For indirect sales to retailers the consumer is never known and end-user sales credit is not granted. ▪ Channel Partner sales teams receive sales credit for supply chain services sold as products.
13.0. Sales Credit Eligibility Notes – Products and Services	
13.1. HP Products and Services Eligible for Sales Credit	▪ Sales employees receive sales credit for all HP products or services that are sold directly or indirectly to end-user customers and channel partners. ▪ Sales credit is applied for items with an HP product or service number and HP-associated warranty. This allows both products purchased from other suppliers and also services sub-contracted for third party delivery that have been assigned an HP product or service number and associated HP warranty to be sold as HP products or services with corresponding sales credit. ▪ Generally, sales credit for hardware and software products is provided based on ship date. Alternatively, sales credit may be based on revenue date, invoice date or HP-reported margin in some business models and/or based on performance measures identified in the employee's Sales Plan. ▪ Sales credit for services and attached packaged services generally is provided based on order date. Sales credit may be based on invoice date for sales credit related to usage. ▪ Sales credit is applied for travel charges billed with HP services. ▪ Sales credit is applied for installation/site preparation charges and support agreements when sold upfront. ▪ Sales credit is provided for remarketed equipment sold and products leased through HP Financial Services (HPFS) or other leasing companies. Credit for leased orders is provided to the sales team that supports the end-user customer, not the leasing entity. ▪ Sales credit is not provided for rental transactions or demonstration products. If demonstration products are purchased at the end of demonstration period, sales credit is then applied. ▪ Sales credit is not provided for estimated products or services that are expected to be delivered, or expected usage fees. ▪ Sales credit is not provided for replacement part orders. ▪ For order acceptance and order recognition criteria, including timing of order recognition which sales credit depends upon, refer to HP Corporate Marketing Order Management Policies: http://tce.corp.hp.com/marketing_policies/policies_contacts.htm **NOTE:** HP software products booked under product line 79, such as Internet Usage Manager (IUM), OpenView Service Activator (OVSA) and Enterprise Risk Manager (ERM) product suite credit at 100%.

SALES CREDIT POLICIES	
13.2. Third Party Products and Services Eligible for Sales Credit	▪ When HP sells third party accessories for personal computers as part of a solution, sales employees may receive sales credit for 100% of the third party products net resale value. ▪ Cisco products sold as part of a solution are credited at 50% of the Cisco products net resale value. ▪ For all other third party products or services sold as part of a solution, sales employees are credited 15% of the third party products or services net resale value. ▪ Sales credit is not applied for third party services that are not sold as part of a solution and/or not warranted by HP. If warranted by HP, third party services are credited at 15%. ▪ In some countries, a margin requirement may also apply to third party products or services for sales credit eligibility. Any such margin requirements are documented in a region or local sales compensation guideline document.
13.3. Technology Services (TS)	▪ Sales credit for the full amount of new support agreements, ongoing support services, (conversions, renewals or reprice support agreements) and add-ons to existing support agreements will be recognized on the order date with 12-month maximum credit. ▪ Sales credit for add-on support to existing support agreements will be recognized at the start (mid-term) of the add-on support for the remaining length of the support agreement, or for multi-year contracts, up to the anniversary date of the original order, whichever occurs first. ▪ Sales credit for multi-year support agreements (single purchase order) will be recognized on the anniversary date of the original order with 12-month maximum credit. ▪ Sales credit for pre-paid packaged services (HP Care Packs) is provided for the full term on the order date. ▪ Sales credit does not apply for per incident (time and materials) services. ▪ If the terms of the agreement are not defined and accepted by HP and customer, sales credit occurs after service delivery.
13.4. Technology Management Solutions (TMS)	▪ A TMS custom agreement is one in which HP agrees to deploy, support or out-task an end-user customer's distributed or data center environment that could include both HP and multi-vendor hardware/software. ▪ Sales credit for all TMS services is granted for 100% for the first 12-month value. ▪ Sales credit is granted for 125% of the first 12-month value (not total contract value - TCV) of the HP annuity services provided that the original (not renewal) TMS custom agreement meets the following criteria: ➢ Minimum three-year agreement; and ➢ For Business Continuity Recovery Services (BCRS) and Flexible Computing Services (FCS), net CLCP value of at least $500 thousand USD TCV; or ➢ For all other TMS Services: Has a net CLCP value of at least $2.5 million USD TCV in large countries or $1.5 million USD TCV in small countries for all other

SALES CREDIT POLICIES	
	services. The appropriate region sales manager classifies the countries within their region as either large or small.
13.5. Outsourcing Services (OS)	▪ Sales credit is granted to CBMs, CCMs, SPs, EAMs (peaked and dedicated), DMs and Industry Directors for the sales of new OS engagements at 50% of the first year contract value with no quota assigned. New business includes both the sale of a new 12-month OS engagement to a new or existing customer and also renewals of existing OS engagement contracts. ▪ Sales credit is not granted for existing hardware and software products that are acquired as a result of a new OS engagement. ▪ Sales credit for renewals and extensions of existing OS engagement contracts is granted at the 12-month anniversary of the contract start date. ▪ Sales credit for add-ons of existing OS engagement contracts is based on order recognition which usually occurs at the 12-month anniversary of the contract start date. ▪ Sales credit is granted to the sales employee at the shipment/order date for additional new hardware/software products and services that are incremental to the existing installed base when the new OS engagement contract was signed. ▪ For Technology Management Solutions (TMS), all sales roles with quota assigned receive 100% sales credit for the first 12 months. ▪ Full sales credit for prepaid OS agreements for the value of the prepaid services will be recognized upon receipt of the signed SLA.
13.6. Consulting and Integration (C&I)	▪ Sales credit for C&I engagements with a CLCP greater than $100 thousand USD will be recognized on the order date with 12-month maximum credit. ▪ Sales credit for C&I engagements greater than 12 months duration will be recognized in monthly or quarterly increments as they are included within the moving 12-month window for required delivery. ▪ Sales credit for C&I engagements with a CLCP less than $100 thousand USD will be recognized on the order date with three year maximum credit. ▪ Sales credit for Transition services delivered by consulting and integration teams as part of an Outsourcing Services Agreement, spread over total contract duration, is recognized yearly in 12-month increments.
13.7. Pay-Per-Use and Utility Sales	▪ A Pay-Per-Use (PPU) agreement is one in which the customer pays a monthly fee that is calculated on a fixed predefined fee plus variable usage fee (based on monthly usage) for the use of HP products or services.

SALES CREDIT POLICIES	
	▪ A Utility agreement is one in which the customer pays a monthly variable fee that is calculated on actual usage of the HP products or services. ▪ PPU and Utility sales have custom terms and conditions and are usually managed through HP Financial Services. ▪ Sales credit is provided for the net CLCP of the HP products shipped to the customer. ▪ Sales credit may be provided for estimated usage, based on agreement with HP which includes a contractual baseline value. ▪ Sales credit is provided for the 12-month value of the HP annuity services associated with the products shipped, provided that: (1) the customer is contractually obligated to pay a minimum usage fee over the life of the agreement that guarantees HP payment for the products shipped to the customer site(s) or (2) the customer is contractually obligated to pay for the residual value of the products shipped to the customer site(s) if the agreement is terminated prematurely. ▪ If these contractual conditions are not satisfied, sales credit is provided after product shipment or service delivery.
13.8. Lifecycle Sales	▪ A Lifecycle custom agreement is one in which HP agrees to deliver, install, and support a large volume of products over a multi-year period in phases. ▪ Sales credit is provided for the net CLCP of the products or services that the customer contracts to take delivery of during the first 12 months of the agreement. Sales credit is not provided for estimated products or services that are expected to be delivered. ▪ For each subsequent delivery phase of the agreement, sales credit is provided for products or services per customer delivery contract. ▪ If these contractual conditions are not satisfied, sales credit is provided after product shipment or service delivery.
13.9. Simdesk Contracts	▪ After HP order acceptance criteria is met, sales credit for Simdesk contracts is provided for the first year value of the contract. ▪ A quarterly reconciliation of sales credit will occur based on actual billed amount for the prior quarter. If the actual billed amount each quarter is higher or lower than projected, a positive or negative credit amount will be applied at the end of each quarter. ▪ Sales credit for subsequent contract years will be applied annually with the same quarterly reconciliation.
14.0. Sales Credit Eligibility Notes – Sales Role Specific	
14.1. Client Business Manager (CBM)	▪ The CBM receives 100% sales credit for their account for all orders or shipments from all countries regardless of where quota has been deployed. ▪ For multinational transactions the CBM receives 100% sales credit for the value of the orders or shipments. This includes the sales credit for services plus the non-HP products or services orders for their account. ▪ The CBM is measured on the total sales credit for hardware/software products plus total sales credit for all services for their account.

SALES CREDIT POLICIES	
14.2. Corporate Client Manager (CCM)	▪ The CCM is measured exactly as the CBM except the scope of their assignment is less than the entire account.
14.3. Services Principal (SP)	▪ The SP receives 100% sales credit for their account for all services orders from all countries regardless of where quota has been deployed. For multinational transactions the SP receives 100% sales credit for the value of the orders.

15.0. Multinational Sales

As worldwide solutions are complex, it is usual for more than one party to be involved in finalizing sales. In such situations, it is necessary to allocate sales credit in a manner that recognizes genuine sales contribution, is motivational to the parties involved, and minimizes inter-party conflicts. Multinational sales credit, which recognizes the multiple contributions of cross-regional sales teams in obtaining orders and subsequent shipments or deliveries, permits this to occur.

NOTE: Multinational sales credit splits do not impact HP revenue. If revenue needs to be shared, reference the **Cross Border Management Policy** documented in the **Accounting and Finance Manual (AFM)**: http://cnweb2.boise.itc.hp.com/afm/afm.nsf/i/1000_1025

15.1. Multinational Sales Credit Splits	▪ Sales credit may be split 50% to the sold-to country (or country of specmanship for software-only deals) and 50% to the ship-to country (or country of software usage for software-only deals) for all multinational solutions, with the exception of stand-alone image and printing (IPG) products. Sales credit splits for large opportunities are negotiable between sales teams. ▪ Multinational sales credit for sales of standalone IPG products may be negotiated by IPG country sales managers. ▪ Shipments of standalone IPG products and technology services agreement orders must have a CLCP greater than $100 thousand USD to qualify for a multinational country sales credit split. ▪ A multinational sales credit split will not be granted to an individual country sales employee for a technology services agreement order when the amount split to their country is less than $10 thousand USD per country. ▪ Software-only orders must have a CLCP greater than $30 thousand USD to qualify for negotiations of a multinational sales credit split. ▪ For software-only orders, up to 20% of the total deal value will be deducted from sales credit if a sales employee does not follow the "Pre-deal Closing Registration Process" or in the case of sales employee split disputes escalated to Region Software Sales VP. ▪ For all other products or services, there is no minimum order/shipment value to qualify for a multinational sales credit split.
15.2. Large Opportunities	▪ Large opportunities are orders or shipments of products or services that have a customer purchase order total CLCP greater than 1 million USD. ▪ The minimum technology services agreement order values do not apply. ▪ Influencer sales – A country sales rep whose selling effort is influencing in nature (not located in the sold-to or ship-to country) is entitled to a 25% sales credit split. When a selling influencer role occurs in a large opportunity, the multinational sales credit split is 25% to the influence country, 25% to the sold-to country and 50% to the ship-to country. ▪ Influencer credit is approved as follows: ➢ Corporate Accounts: CBM ➢ Enterprise Accounts: The sold-to Region Industry Vertical Manager (IVM) ➢ Other accounts: Country Sales Manager of the influencing sales employee

	▪ Negotiated splits – Some situations may require negotiated splits, approved as follows: ➢ Corporate Accounts: CBM ➢ Other accounts across regions: Country Sales Managers must agree and approve. ➢ Other accounts within APJ countries: all opportunities (no USD value minimum) may be negotiated for multinational sales credit splits.
15.3. International Funding Organizations (IFO)	Pre-approved IFOs require that orders be placed in their home country regardless of where the hardware/software products will be shipped and/or the services delivered. These exception orders are usually for multi-year turn key solutions and do not involve a Systems Integrator (SI) from the home country of the IFO. Since there is no sales employee involvement from the home country of the IFO, all of the sales contribution comes from the destination countries. In these selling situations, 100% sales credit is applied to the destination country.
16.0. Sales Credit Programs	
Sales Credit Programs must be approved per the Global Sales Compensation Delegation of Authority Policy. Approved programs are published on or linked from the WW Sales Compensation website: http://wwsalescomp.corp.hp.com/index.html	
16.1. Communications, Media & Entertainment Joint-Go-To-Market (CME JGTM) Program	
Refer to CME JGTM website for additional information: http://cmeonline.hp.com/jgtm/default.asp	
16.1.1. Sales Credit Eligibility	Sales credit may apply for pre-approved CME JGTM partners, when HP products or services (excluding support renewals and outsourcing services) are sold as follows: ▪ to a CME JGTM partner acting as a Value Added Reseller (VAR) who resells to an end-user customer/service provider; or ▪ cooperatively with a CME JGTM partner to an end-user customer/service provider; or ▪ to a CME JGTM partner who provides the end-user customer a solution or service where the CME JGTM partner takes title to the products or services without transferring product ownership to the end-user.
16.1.2. Sales Credit	▪ 50% sales credit is split to the CME JGTM headquarters (HQ) team and 50% sales credit is split to the CME JGTM promoter sales team. If there is no promoter sales team, then the CME JGTM headquarters team receives 100% sales credit. ▪ In addition, 100% sales credit is applied to the end-user customer/service provider sales team. If the end-user customer/service provider sales team is the same as the CME JGTM promoter sales team, then the end-user customer/service provider sales team receives maximum 100% credit.
16.1.3. Claim Information	▪ Minimum claim threshold: Orders or shipments must meet minimum CLCP of $25 thousand USD. ▪ **Approvals Required:** Each CME JGTM claim with a CLCP greater than $100 thousand USD must be approved by either the CBM of the CME Provider or the Global Inbound Corporate Accounts Manager. ▪ Claims for CME JGTM sales credit must be submitted at the following website: http://cceor12.cce.cpqcorp.net:4082/smcw

POLICY HISTORY

Records Retention Information	Each published version of this policy is to be retained per Global Records Management (GRM) requirements under GRM Record Series AC814. The retention period for this policy is classified as "Tax Department Clearance (TDC)." The Project Manager for each policy revision is responsible for records management.

Revision History

Revision Date	Revision Notes
01-Nov-2007	**Additions:** ➢ 8.0. Sales Compensation Adjustments – Treatment for commission-based Sales Plans has been added. ➢ 12.2. Sales Credit Dates – Sales credit for transactions reported by partners is dependent upon partner reported transaction data. ➢ 13.9. Simdesk Contracts – Section added ➢ 16.0. Sales Credit Programs – Section added **Deletions:** ➢ 6.2. Draw Calculations and Payments – Removed "Draw/Incentive" example. ➢ 12.0. – 13.8. – Some policy statements deleted from Global Sales Compensation Policy and moved to Order Management Policy. ➢ 13.1. Lease Renewals – Removed statement regarding extension of expired HPFS leasing agreements. ➢ 13.1.1 Emerging Software Products – Section deleted ➢ 14.3. Services Principal – Statement of sales credit measures deleted; this would be referenced in employee Sales Letter.
01-Nov-2007	**Policy Changes:** ➢ 5.2. Bonus Payment Eligibility and 8.4. Terminations – Sales employee must be in an eligible sales job code and/or Sales Plan, in active status, for full eligibility period defined in program to earn incentive payment. ➢ 8.0. Sales Compensation Adjustments – For Sales to Sales Transfers, Sales to non-Sales Transfers, Terminations and LOA less than 2 months, sales employee is paid 100% TIA, prorated for the time of active status if Sales Letter has been distributed when status change occurs, but 30-day review period not yet met. ➢ 8.3. Sales to Sales Transfers – Liability due for performance level pay advances upon transfer from sales to non-sales role will be based on prorated quota. ➢ 12.4. Indirect Sales – Policy for end-user credit for U.S. software reps credit equals Net Price to customer. ➢ 16.1. CME JGTM Program – Claim threshold changed to $25k.

	01-Nov-2007	**Clarifications:** ➢ 10.0. MIPR – Clarification that MIPR reviews may result in adjustment to various components of an employee's Sales Plan. ➢ 13.2. Third Party Products and Services Eligible for Credit – Changed terminology from "non-HP branded" to "third party." Clarified credit for third party services not sold as part of a solution and those not warranted by HP. ➢ 12.0. – 13.8. – Due to transfer of some policy statements (General/TS/OS/C&I) to Order Management Policy, some Sales Crediting policy statements are reworded, and/or renumbered. ➢ 12.4. Indirect Sales – Policy for U.S., Canada and Latin America sales credit clarified. ➢ Throughout – minor wording changes
	25-Jun-2007	Refer to Revision History of 25-Jun-2007 revision for detail of updates.
	01-May-2007	Refer to Revision History of 01-May-2007 revision for detail of updates.
	01-Nov-2006	Combines the 2H06 versions of the Global Sales Compensation Incentive Pay Administration Policy and the HP Sales Credit Policy and incorporates policy changes approved for FY07.
	17-May-2006	Initial release of Global Sales Compensation Incentive Pay Administration Policy, effective 2H06.

EXHIBIT 6

invent

HP Global Sales Compensation Policy

HP Restricted
Printed copies are uncontrolled.

Last Updated: 01-Nov-2008

Effective 01-Nov-2008

HP GLOBAL SALES COMPENSATION POLICY *HP Restricted*			
Organization:	HP Worldwide E2E Sales Compensation	**Policy #:**	HP062-01
Sponsor:	Gerald Wright	**Revision:**	01-Nov-2008
Global Contact:	Lisa Mak, WW Sales Compensation Global Policy Analyst +1 905-881-3685 lisa.mak@hp.com	**Effective Date:**	01-Nov-2008

Americas (AMS) Contact:	Kim Murphy, +1 916-785-6110
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Location of Policy:	http://intranet.hp.com/tsg/WW2/wwsalescomp/Policy/Pages/GSCPolicyContent.aspx
Purpose:	The purpose of the HP Global Sales Compensation Policy is to represent the standard treatment of sales credit and incentive pay administration within HP Sales Compensation. The primary audience is HP Sales and the policy is implemented by HP E2E Sales Compensation.
Scope:	This policy applies to all HP employees assigned to a sales compensation plan (Sales Plan) in each business group; however, HP Financial Services (HPFS) sales employees are not subject to the sales credit topics. Contingent workers are not subject to this policy. EDS Sales Policies are located at: http://infocentre.eds.com/people/comp_rewards/bonus_plans.html This policy is in effect beginning November 1, 2008 for FY09 and future measure periods, until replaced or discontinued. This policy replaces any previous HP global or regional sales compensation incentive pay administration policies, including the Global Sales Compensation Incentive Pay Administration Policy and the HP Sales Credit Policy.

HP GLOBAL SALES COMPENSATION POLICY *HP Restricted*	
Policy Exceptions:	Documented national or local laws may dictate exceptions to this policy. Consult the regional or local HP Legal Department to determine approved exceptions based on national or local laws. Exceptions to this policy (other than legal exceptions) must be approved in writing by Worldwide E2E Sales Compensation or as documented in the HP Global Sales Compensation Delegation of Authority Policy. Short-term policy exceptions may be required due to company mergers and acquisitions. Such exceptions will be based on contractual terms and HP management decisions identified in the integration activities led by HP.
Workers' Councils Note:	For countries that require consultation with workers' councils and/or other employee representatives, this policy is not intended to provide country-specific information. Where required by law, specific items of this policy may be subject to consultation with workers' councils and/or other employee representatives.
Business Conduct and Gray Marketing Policy Note:	Sales employees who fail to comply with HP's Standards of Business Conduct or HP's End-User Customer Verification Policy or who willfully, knowingly or negligently facilitate sales of HP products that move outside the normal distribution model, may be subject to appropriate disciplinary action and/or compensation sanctions, including (but not limited to): adjusted sales performance and/or the withholding of stock options, incentive pay and/or bonus compensation. Further, where a sales rep has no involvement with the deal, HP reserves the right to adjust sales performance when an HP employee has received sales credit, or will receive sales credit, for any sale by a third party when the products/services sold are misdirected or otherwise not shipped to
ADDITIONAL REFERENCE	
HP Standards of Business Conduct:	http://sbc.corp.hp.com/
For additional reference materials related to sales compensation, refer to: http://intranet.hp.com/TSG/WW2/wwsalescomp/Pages/default.aspx	

HP GLOBAL SALES COMPENSATION POLICY
HP Restricted

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HP GLOBAL SALES COMPENSATION POLICY

HP Restricted

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GENERAL INFORMATION

- This policy and HP Sales Plans are classified as "HP Restricted" and are meant for internal use only.
- Sales employees are expected to review this policy and referenced materials and discuss any questions with sales management.
- None of the contents in this policy, HP Sales Plans, nor regional sales compensation guidelines shall be construed to imply the creation or existence of a contract between HP and any participant, nor a guarantee of employment for any specified period of time.
- No Sales Plan participant will have any right to monies accrued through the plan until and unless all terms, provisions, and conditions, as set forth in this policy and the assigned Sales Plan, have been met.
- HP reserves the right to adjust Sales Plans as necessary to address changing business conditions or correct administrative error.
- HP reserves the right to change or discontinue this policy, with or without notice, at any time.

Currency Conversion

- Quota is issued and sales credit is applied in U.S. dollars (USD). Local currency for sales credit is converted to USD based upon the available HP Global Treasury Business Unit Pricing Rates. If Pricing Rates are not available from HP Global Treasury, the Accounting Rates from HP Global Treasury will be applied.
- For Sales Plans that include commissioned earnings, the Accounting Rates from HP Global Treasury are used for the currency conversion. Currency fluctuations may impact incentive pay calculations at time of payment.
- Additional adjustments to sales credit or incentive pay due to currency factors are not permitted.

INCENTIVE PAY ADMINISTRATION POLICIES

1.0. Global Sales Plan Design

The Worldwide End to End (E2E) Sales Incentive Design Team, the Sales Compensation Decision Team and the Sales Compensation Steering Team define the framework for HP Sales Plans. This framework is designed to promote consistency across HP through the application of a consistent incentive design methodology, while enabling flexibility to each business group/sales organization in the selection of unique compensation solutions for their field jobs.

Sales Plan design is an annual process. Similar jobs within a country are treated similarly regarding eligibility for sales compensation, TIA, on-target earnings levels, pay mix and payout rates. Each sales organization is engaged annually to establish Sales Plan design.

After a measure period has been initiated, there may be a business need to change the characteristics of a Sales Plan or create a new plan for the remainder of the measure period. Managers should involve their Sales Incentive Design Business Group Manager to carefully evaluate the impact of making such changes. All new Sales Plans or plan modifications must be approved per the current global Sales Plan design framework guidelines.

2.0. Sales Plan Eligibility

The following criteria must be met to be assigned to and paid incentives according to a Sales Plan:

- HP employee, assigned to an eligible sales job code in HP Human Resource system with minimum standard work schedule of 20 hours per week.
- An HP-approved Sales Plan must be available to accommodate the employee's sales role.
- Review and acceptance of Sales Letter/Sales Plan.
- At least two full calendar months must remain in measure period for sales employee to be paid incentives based on a Sales Plan.
- More detailed Sales Plan eligibility criteria is located on the Worldwide Sales Compensation website under the "Reference" menu: http://intranet.hp.com/TSG/WW2/wwsalescomp/Pages/default.aspx

NOTE: HP sales employees are not eligible to receive sales compensation from any source outside of HP.

3.0. Sales Letters

- A Sales Letter is a document that defines the Sales Plan and communicates how a sales employee is paid for a particular measure period.
- Sales Letters will be issued to all sales employees as early as possible in the measure period.
- For new hires and internal transfers, a Sales Letter will be issued mid-measure period when the sales employee is assigned to a Sales Plan.
- A Sales Letter may also be provided to a sales employee mid-measure period if Sales Plan changes occur.
- It is the employees' responsibility to review their Sales Letter and escalate any concerns to Sales Compensation Operations (SCO) and to their manager within 30 days of Sales Letter distribution. The employee's manager must advise their regional SCO team in writing if there is a concern with the goals that requires research/action. While the issue is being resolved, the sales employee will be compensated per the Sales Plan (or continue with draw if in a draw period). Final resolution of any such dispute is within the sole discretion of Region E2E Sales Compensation. If an employee does not escalate concerns within the 30-day review period noted above, the Sales Plan and goals are deemed accepted.

INCENTIVE PAY ADMINISTRATION POLICIES
▪ Refer to Sales Compensation Adjustments section for standard treatment of incentive pay when a sales employee terminates from HP, transfers to a sales or non-sales role, or begins a leave of absence prior to distribution of Sales Letter or prior to the end of the 30-day review period for the measure period.

INCENTIVE PAY ADMINISTRATION POLICIES

4.0. Incentive Pay Calculation Methodologies

4.1. Period-to-Date (PTD) Calculation

Incentive pay is calculated with period-to-date calculation. The actual performance attainment percentage is determined by dividing the cumulative period-to-date sales by the quota that applies to the entire measure period. For example, in the fifth month of an annual measure period, sales for one performance metric for those five months will be measured against the total annual quota for that performance metric. This percentage is then multiplied by the TIA allocated to this performance metric for the entire measure period.

4.2. Weighted Performance Attainment (WPA)

For the majority of Sales Plans, the calculation of incentive earnings is based on the average of weighted performance attainment of two or more performance metrics. This is referred to as weighted performance attainment methodology. This approach is a departure from traditional incentive earnings calculation methodology (referred to as Independent Performance Attainment methodology) whereby incentive earnings for each performance metric are calculated and accelerated independently.

Performance attainment is tracked and determined separately for each performance metric. A sales employee's incentive earnings are determined for the entire Sales Plan based on the average performance and weight of each performance metric within the Sales Plan.

WPA Example:

SALES PLAN:		CALCULATION:
Performance Metrics (PM):	50% Top Line; 50% PMM	PM#1 weight (x) attainment (+) PM#2 weight (x) attainment: (.50 x .75) + (.50 x 1.05) = .90 (90% weighted performance attainment) Weighted performance attainment is then applied against applicable acceleration rate: .90 x 1 = 90% Earnings calculation: 90% x $15,000 = $13,500
Acceleration Rates:	<100%: 1 >100%: 2.5	
Measure Period TIA:	$15K	
Performance for Topline Metric (PM#1):	75%	
Performance for Portfolio Mix Metric (PM#2):	105%	

5.0. Bonus Programs (On-top and SPIF)

5.1. Design of Bonus Programs

- Bonus programs are designed to compensate with cash incentives only. Merchandise (such as IPODs and gift cards), E-Awards and point-driven gift programs are not valid methods for compensating sales employees for meeting sales goals and will not be approved or supported by HP Sales Compensation.
- Bonuses or SPIFs funded by third parties are not allowed.
- Bonus payments may not be inflated to affect taxes due by sales employee.
- If payment caps are not identified in bonus program documentation, the following caps apply:
  - Payments from a single bonus program may not exceed 25% of sales employee's measure period TIA.

INCENTIVE PAY ADMINISTRATION POLICIES	
	➢ Bonus payments are capped at 50% of sales employee's measure period TIA, for total of all bonus programs.
5.2. Eligibility for Bonus Programs	▪ Each bonus program defines a payment schedule as monthly, quarterly, semi-annual, annual or "as achieved" (paid in next standard pay cycle). Employee must be in an eligible sales job code and/or Sales Plan, in active status, for full eligibility period defined in program to earn incentive payment. ▪ Employees being paid 100% TIA are ineligible for bonuses. ▪ For six month or longer SPIF programs, employee must be in an eligible Sales Plan for at least the last three months of the program period to earn incentives under the program. If eligibility period is met, the individual is eligible for the full bonus amount earned. If eligibility period is not met, employee does not earn any incentives under the SPIF program. ▪ For three month SPIF programs, employee must be in an eligible Sales Plan for at least the last full calendar month of the program period to earn incentives under the program. If one month time period is met, the individual is eligible for the full bonus amount. If one month time period is not met, employee is not eligible to earn any incentives under the SPIF program. ▪ On-Top Bonus earnings are prorated based on number of months in eligible Sales Plan during the program measure period, unless otherwise stated in published Bonus Program documentation.
6.0. Pay Advances	
A pay advance is a compensation payment made in advance of performance, intended to provide (or supplement) cash flow to a sales employee over a defined period of time. A pay advance may be provided in the form of a draw, paid to a sales employee at a defined level, regardless of his/her performance. A pay advance may also be provided to a sales employee in anticipation of achieving a defined performance level.	
6.1. Draw	▪ HP may implement draw methodology to temporarily issue pay to incentive employees at HP's discretion. ▪ Worldwide E2E Sales Compensation defines and approves draw conditions, including: length of draw period, draw percentages, etc., for defined sales populations. ▪ New hires or transfers (non-sales to sales) who join a Sales Plan that is currently in a draw period will receive the draw for the remaining time of the defined draw period, unless sales employee is being paid 100% TIA. ▪ Sales employees who carry debt (incentive liability) may be denied draw payments, at HP's discretion. ▪ An individual sales employee may not decline a draw.

INCENTIVE PAY ADMINISTRATION POLICIES	
6.2. Draw Calculations and Payments	Draws are paid one month in arrears on the standard incentive pay schedule. For example, draw for November is paid in December. Draws are paid in one-month increments using a percent of TIA deemed appropriate by the business, but not to exceed 60% of an individual's monthly TIA. **Example:** For annual Sales Plan with measure period TIA of $21,600 and 60% draw: monthly TIA = $1,800 ($21,600 / 12) and monthly draw = $1,080 ($1,800 / 60%). **NOTE:** Once the draw period has expired, incentive payment equals full incentives earned less any outstanding liabilities due, based on draw paid and any performance level pay advances paid.
6.3. Performance Level Pay Advances	Performance level pay advances, when applicable, are described in the Sales Letter provided to sales employee.
6.4. Recovery of Pay Advances	Pay advances are considered liabilities and are subject to recovery by HP.

7.0. Incentive Liability

Incentive liability is incurred when incentives are paid but not earned. Sales employees are responsible for repayment of liability to HP. Some conditions that cause liability are:

- Pay advances exceed incentives earned to date
- Negative transactions
- Negative carry-over from a prior month, measure period or fiscal year

Regular and timely review of sales crediting can help avoid unnecessary overpayment conditions. It is the responsibility of the sales employee to review sales crediting on a monthly basis and report errors to the appropriate Sales Compensation Operations team and sales manager.

7.1. Negative Transactions	▪ When an order or shipment occurs in one measure period and is canceled in another measure period, incentive pay for the negative transaction will be calculated using the sales employee's Sales Plan and payout rate in effect at the time of the negative transaction. ▪ Payout rates used for the negative transaction may be different from those used for the original incentive payment.
7.2. Repayment	▪ Incentive liability is repaid from future incentive payments, including, but not limited to: quota-based sales performance, FSO, bonus, SPIF or other performance metric. Liability also may be recovered from base pay and amounts due on termination, if necessary. ▪ Prompt repayment will be required in all liability situations. ▪ Incentive liabilities will be carried over into the next measure period, if not satisfied by the end of the prior period. This includes crossing into the next fiscal year, if necessary. ▪ If it is determined by HP that the liability amount is excessive, the employee will be asked to repay the gross amount of the liability in one full payment to HP. ▪ If a liability is carried from one calendar year to the next, repayment is based on the gross amount.

INCENTIVE PAY ADMINISTRATION POLICIES

- Once the measure period has closed, employees who have left an assignment (by transfer out of sales or termination from HP) will be required to repay the liability amount in full, to the extent permitted by law.
- It is the sales manager's responsibility to communicate any outstanding liability to the sales employee. The sales manager should contact Sales Compensation Operations immediately upon a sales employee's transfer or termination to obtain the current liability balance.
- Repayment options can be discussed with Human Resources, HP Payroll and/or Sales Compensation Operations when any of the following conditions exist:
  - Transfer out of sales role, Workforce Management (WFM) or termination from incentive sales role. (100% of liability is due back to HP in these cases.)
  - Outstanding liability balance greater than 20% of current annual TIA. (Employee will be required to repay, at a minimum, the portion of the liability amount which exceeds 20% of annual TIA.)

8.0. Sales Compensation Adjustments

If an employee participates in a Sales Plan for less than the full measure period, TIA, goals and/or incentive pay may be adjusted. All incentive payments, including adjusted payments, are processed per the standard incentive pay cycles. Adjustments that are dependent upon confirmation from Human Resources are administered after the official HR change notification (including effective date) is received by local SCO. For commission-based plans, payment is based on credits posted for dates employee is in active HR status and assigned to a Sales Plan.

The following table lists various conditions and how they affect incentive pay. Adjustments are calculated in whole month increments unless otherwise specified.

Condition	Policy
8.1. New to Sales *New hires or employees transferring from a non-sales role into a sales role within a defined measure period*	▪ Employee may be paid base pay + 100% TIA payments for a period of time determined by sales manager and not to exceed three calendar months, beginning first full calendar month assigned to valid sales job code and Sales Plan. Payment at 100% TIA may exceed three calendar months if two full calendar months do not remain in the measure period. ▪ 100% TIA payment is prorated from date of hire to month assigned to valid sales job code and Sales Plan. If start date is mid-month (any day other than the first of a month), sales employee will be paid 100% TIA at least until the first of the following month. ▪ Sales Plan will be effective on the first of a month (with at least two months remaining in measure period). ▪ If a sales employee is assigned to a Sales Plan after the start of a measure period, incentive pay is calculated with prorated TIA, prorated goals (seasonality factored where applicable), and performance for time in position. ▪ If the first of the month falls on a weekend or holiday, Sales Plan assignments are effective for the full calendar month.

INCENTIVE PAY ADMINISTRATION POLICIES

	Example: Hire date is January 11. January 11 through January 31 will be paid at 100% TIA, prorated for days worked. Sales Plan start date could be February 1 (following month), March 1 (after one full calendar month at 100% TIA payment), April 1 (after two full calendar months at 100% TIA payment) or May 1 (after three full calendar months at 100% TIA payment).
8.2. Sales to Sales Transfers *Sales employees transferring from one sales role to another within a defined measure period*	▪ New Sales Plan will be effective on the first of a month (with at least two months remaining in measure period). ▪ Sales employee will be paid 100% TIA for the new sales role until the new measure period starts if two full calendar months do not remain in the current measure period. ▪ Incentive pay is calculated separately for each Sales Plan assignment and prorated TIA, prorated goals (seasonality and weighted performance attainment factored where applicable), and performance for time in position is used for each calculation. Performance level pay advances will be calculated on prorated quota. ▪ Sales performance that credits after transfer, but for the time sales employee was active in previous Sales Plan, will be calculated for payment in the pay cycle corresponding to the date of performance credit, based on the terms of the prior Sales Plan. ▪ Employee receives earned FSO attainment based on active sales time. ▪ If transfer occurs prior to distribution of Sales Letter, or after distribution of Sales Letter but prior to end of 30-day review period for the original sales role, sales employee will be paid 100% TIA, prorated for the time in the original sales role of the measure period until effective date of new sales role. ▪ If transfer occurs after distribution of Sales Letter, and after 30-day review period, Sales Letters for the original sales role and for new sales role are both subject to review and acceptance.
8.3. Sales to Non-Sales Transfers *Employees transferring from a sales role to a non-Sales HP position within a defined measure period*	▪ Incentive pay is calculated with full measure period TIA, full measure period goals and performance credit for time in sales role. ▪ Employee receives earned FSO attainment based on active sales time. ▪ Sales performance that credits after transfer, but for the time sales employee was active in Sales Plan, will be calculated for payment to employee. ▪ Sales employees who transfer prior to the assignment of a Sales Letter will be paid 100% TIA for the measure period, prorated for the time of active status in sales role. ▪ Sales employees who transfer after distribution of Sales Letter, but prior to the end of 30-day review period, will be paid 100% TIA, prorated for the time of active status in sales role. ▪ Liability due for performance level pay advances upon transfer from sales role to non-sales role will be based on prorated quota.

INCENTIVE PAY ADMINISTRATION POLICIES	
8.4. Terminations *Leave the company voluntarily or involuntarily*	▪ Incentive pay is calculated with full measure period TIA, full measure period goals and performance credit for time in sales role. ▪ Sales employee receives full credit through the month of termination. ▪ Employee receives earned FSO attainment based on active sales time. ▪ To earn bonus incentives, employee must be assigned to Sales Plan for full eligibility period defined in bonus program. ▪ If the Sales Plan is in a draw payment cycle when the termination occurs, all liabilities will be recovered based on actual performance. ▪ Sales performance that credits after termination, but for the time sales employee was active in Sales Plan, will be calculated for payment in the pay cycle corresponding to the date of performance credit. ▪ Sales employees who terminate prior to the assignment of a Sales Letter will be paid 100% TIA for the measure period, prorated for the time of active status. ▪ Sales employees who terminate after distribution of Sales Letter, but prior to end of 30-day review period, will be paid 100% TIA, prorated for the time of active status. ▪ Incentive payment will be reduced by any outstanding liabilities as permitted by law. ▪ For involuntary terminations, liability due for performance level pay advances will be based on prorated TIA and prorated goals (seasonality and weighted performance attainment factored where applicable) and performance credit for the time of active status in sales role. ▪ For voluntary terminations, liability due for performance level pay advances will be based on full period quota (not prorated).
8.5. Workforce Management (WFM)	▪ WFM programs are defined and managed by Human Resources and is sales employee's first point of contact. ▪ The Terminations section of this Adjustments table applies unless it conflicts with the current Human Resource WFM program. ▪ When the WFM period begins mid-month (any day other than the first of a month), employee may be paid per Sales Plan through the end of the month or 100% TIA for the month in which WFM begins, but no less than 100% TIA. Either way, the effective date of the WFM period is unaffected. ▪ Consult your Country Sales Compensation Operations contact for additional details relative to incentive compensation.

INCENTIVE PAY ADMINISTRATION POLICIES	
8.6. Target Incentive Amount (TIA) Adjustments	▪ A sales employee's TIA may be changed mid-measure period, effective on the first of a month. ▪ If a TIA adjustment occurs mid-measure period, the sales employee's eligible TIA for the measure period will be adjusted for incentive pay calculations. For example, if a TIA change is effective in the fourth month of a 12-month measure period, the original TIA for months 1-3 (i.e., $9,000 or $3,000 each month) is added to the TIA for months 4-12 (i.e., $36,000 or $4,000 each month) and the eligible TIA for the measure period ($45,000) is used to calculate the incentive payments due for the full measure period.
8.7. Quota Adjustments *Increase or decrease of quota (any performance metric) after Sales Letter distribution at the start of a measure period*	▪ Quota adjustments may be implemented during a measure period. ▪ Quota adjustments require approvals per the HP Global Sales Compensation Delegation of Authority Policy and are controlled by region quota adjustment processes. ▪ All adjustments will be made on the first of a month. Quota adjustment requests submitted in the current month will be implemented in the following month unless the request is for a retroactive adjustment. ▪ For prospective quota adjustments, quota is prorated (seasonality factored where applicable) for each portion of the measure period (for time covered by initial quota and time covered by new quota).
8.8. Sales Assignment Adjustments *Addition or deletion of account or geographic sales coverage for a sales employee after the start of a measure period*	▪ Adjustments to sales assignments anytime during a measure period are addressed on a case-by-case basis and require approval by sales management, and Sales Compensation Operations. Based on quota impact, Business Finance may also provide approval. ▪ Adjustments to sales assignments will be effective on the first of the month after assignment change. ▪ Sales managers are responsible to review impact of company mergers, acquisitions, subsidiary changes, etc. to determine if a sales assignment adjustment and/or quota/goal adjustment is required. Effective dates of such assignment changes are dependent upon timing of changes in customer reference system. ▪ When a sales employee becomes inactive for a period of time or terminates from the company, sales assignments of other sales employees may be adjusted to accommodate coverage of the geographic area, team, or account. ▪ Quota/goals of sales employees who cover the assignment of the inactive employee may be modified to accommodate the change in assignment.
8.9. Changes to Base Pay, Job Code or Standard Hours	▪ All changes in base pay, TIA, job code or standard hours originate from the manager of the sales employee and must be submitted to Human Resources for approval and processing.
8.10. Part-Time Employees	▪ Incentive pay is based on prorated TIA for any incentive sales employee who is considered part-time per country law and eligible for incentive pay per this policy.

INCENTIVE PAY ADMINISTRATION POLICIES	
8.11. Leave of Absence (LOA) *(as defined by Human Resources policy)*	▪ For leave of absence of two consecutive calendar months or less of a measure period, sales employee remains on Sales Plan (if Sales Letter was distributed and 30-day review period satisfied) and incentive pay is calculated with full measure period TIA, full measure period goals and actual performance. ➢ If Sales Letter was not distributed prior to beginning of leave, 100% TIA (prorated for days on leave) is paid. ➢ If Sales Letter was distributed, but 30-day review period not yet satisfied when leave begins, sales employee will be paid 100% TIA, prorated for the time of active status. ▪ For leave of absence longer than two consecutive calendar months of a measure period: ➢ Incentive pay is calculated with prorated TIA, prorated goals and actual performance for time of active status, unless Sales Letter was not distributed prior to beginning of leave. ➢ If Sales Letter was not distributed prior to beginning of leave, 100% TIA (prorated for days on leave prior to pay based on HR leave administration policy) is paid. ➢ If leave of absence begins in the middle (anytime after the first day) of a month, incentive pay is calculated based on full calendar month. ➢ If leave of absence ends in the middle (anytime after the first day) of the month, sales employee is paid 100% TIA for that month, prorated for time worked. ➢ Sales employee will be paid based on Sales Plan through the end of the month in which leave begins. For the remaining period of leave, incentive pay does not apply; sales employee is paid based on country/local HR leave administration policy.
8.11. Leave of Absence (LOA) *(as defined by Human Resources policy)*	▪ Upon return from leave, employee will be assigned to a Sales Plan, effective the first full calendar month of return, unless two full calendar months do not remain in the measure period. 100% TIA payment will be prorated for partial month and until start of new measure period if two full calendar months do not remain in current measure period. ▪ Each HR status change is treated independently per this LOA policy. ▪ If a sales employee extends a leave with vacation time, assignment to Sales Plan will occur the first full calendar month after return from vacation, unless two full calendar months do not remain in the period (refer to prior bullet). 100% TIA payment will be prorated for period of vacation.

9.0. Incentive Pay Timing Considerations

- Incentive pay is based on monthly pay cycles.
- Incentive pay is provided to sales employee as soon as possible after sales crediting occurs within the compensation system.

INCENTIVE PAY ADMINISTRATION POLICIES

- Incentive payments occur in the month following sales crediting.

10.0. Management Incentive Performance Review (MIPR)

HP has implemented a management review policy to evaluate sales performance significantly above target or for evaluation of credit for "large" deals. This evaluation does not include bonus and SPIF performance. This policy complies with HP's Pay for Performance philosophy and is considered fair and equitable for both employees and the company. When a sales employee reaches an identified performance threshold, a management review occurs. As a result of these reviews, management may adjust various components of the employee's Sales Plan, may hold incentive payments until review is complete, or may recover unapproved payments to ensure fair measurement of performance. For plans with discretionary metrics, MIPR can only make adjustments to the formulaic portion.

Review of individual performance/sales credits by Sales Compensation Operations (SCO) is considered external and a pre-requisite to management approval. This ensures that management only reviews data that has been validated (based on current information available to SCO) as complete and accurate from operational and system perspectives.

The region and country business group sales management organizations are responsible for conducting reviews and providing approvals, once an employee's attainment reaches 250% TIA attainment (inclusive of any discretionary metrics) and at each additional 100% incremental TIA attainment. Additional reviews and approvals may be added as deemed appropriate by Country or Region management.

The following documents located on the WW E2E Sales Compensation website (http://intranet.hp.com/tsg/WW2/wwsalescomp/Pages/default.aspx) contain additional details:

- HP Global Sales Compensation Delegation of Authority Policy
- HP Global Sales Compensation Management Incentive Performance Review (MIPR) Process

SALES CREDIT POLICIES

The principal method of recognizing sales employees for sales contribution is sales credit, based on Sales Plan design and associated quota. Sales credit drives sales employee compensation. The sales credit principles identified herein apply in conjunction with specific sales credit performance measures identified in the employee's Sales Plan.

NOTE: Additional information which was previously included as part of this HP Global Sales Compensation Policy has been moved to the HP Global Sales Compensation Handbook, effective 01-May-2008: http://intranet.hp.com/tsg/WW2/wwsalescomp/Policy/Pages/GSCHandbook.aspx

11.0. Quota Setting and Deployment

11.1. ASPIRE Quota Setting	▪ ASPIRE quota is set in United States Dollars (USD), defines expected financial performance, and is based on planned net revenue (gross revenue less trade discounts, price adjustments, cash discounts, surcharges and fees). ▪ ASPIRE quota is used by Regions and Global Business Units (GBU) to track actual order/shipment performance. ▪ ASPIRE quotas are established after agreement from each business and the sales teams that plan to sell their products or services.
11.2. Quota Deployment	▪ 100% of all ASPIRE quota must be allocated as performance metric quota to sales employees at the beginning of each period. ▪ Quota is issued in U.S. dollars (USD). ▪ Each region sales management team must ensure that ASPIRE quotas are properly uplifted per Worldwide standards to cover planning variation and business risks for the products or services they sell. Region average uplifts lower than the prescribed uplift factor ranges for each measure period must be approved by the Worldwide Business Finance Manager.

12.0. General Sales Credit Eligibility

- Sales credit is based on net price (not net revenue, unless defined in Sales Plan). For indirect sales in some countries, sales credit is based on indirect valuation of list price. Discounts and price adjustments affect net price and corresponding sales credit. Surcharges, fees, cash discounts (discounts for prompt payment), and freight charges do not affect sales credit.
- Sales credit is applied in U.S. dollars (USD).
- HP may require deals to be forecasted for sales employee to receive sales credit.
- Sales credit is granted to the sales employee who covers the territory or account on the date the sales credit occurs.

12.1. Margin Credit **12.2. Sales Credit Dates**	Refer to the HP Global Sales Compensation Handbook, effective 01-May-2008: http://intranet.hp.com/tsg/WW2/wwsalescomp/Policy/Pages/GSCHandbook.aspx
12.3. Negative Transactions	▪ All quota-countable transactions that create negative order credit also create negative sales credit.

SALES CREDIT POLICIES	
	▪ Sales credit will be reversed if orders are returned or service contracts are cancelled (customer cancellation or HP cancellation if contract not fully executed by customer). ▪ All negative transactions (including cancellations, returned products, adjustments to quota, administrative error, etc.) from orders or shipments that originated in the prior measure period will be treated as negative credit in the month the negative transaction occurs. ▪ The negative sales credit affects the sales employee who covers the sales assignment at the time of the negative transaction.
12.4. Indirect Sales	▪ The intent of indirect crediting within HP is to pay sales employees based on net price to customer. ▪ For products and services in APJ and EMEA that contain special pricing, sales credit is calculated as the Converted Local Currency Price (CLCP) to the channel partner net of actual discounts and price adjustments. For all other claims that do not contain special pricing, sales credit is calculated as the CLCP to the channel partner net of a weighted average discount. ▪ US: If net price is not available, sales compensation may be based upon % of List or Net Dealer Price (NDP). Partner sales employees are credited for all products and services at Net Dealer Price (NDP). ▪ Canada: For hardware products, software products and services, end-user and partner sales credit is calculated as a percentage of the list price for the product or service, except for IPG and PSG retail product lines, PL NW and HPS IB booking centers (G,PZTA01,CDNCORE), where HP based data is valued at net price. ▪ LAC: For hardware products, software products and services, end-user and partner sales credit is calculated as the CLCP to the channel partner, net of discounts and price adjustments.
13.0. Sales Credit Eligibility Notes – Products and Services	
13.1. HP Products and Services Eligible for Sales Credit	▪ Sales employees receive sales credit for HP products or services that are sold directly or indirectly to end-user customers and channel partners. ▪ Generally, sales credit for hardware and software products is provided based on ship date. Alternatively, sales credit may be based on revenue date, invoice date or HP-reported margin in some business models and/or based on performance measures identified in the employee's Sales Plan. ▪ Sales credit for services and attached packaged services generally is provided based on order date. Sales credit may be based on invoice date for sales credit related to usage. ▪ Sales credit is provided for remarketed equipment sold and products leased through HP Financial Services (HPFS) or other leasing companies. ▪ Sales credit is dependent upon order amount and timing as entered into order fulfillment systems. For order acceptance and order recognition criteria, refer to HP Corporate Marketing Order Management Policies: http://tce.corp.hp.com/marketing_policies/policies_contacts.htm and the HPS Policies and Procedures Directory: http://intranet.hp.com/tsg/ww/hpspolicies/Pages/polprodDirectory.aspx

SALES CREDIT POLICIES	
13.2. Third Party Products and Services Eligible for Sales Credit	▪ When HP sells third party accessories for personal computers as part of a solution, sales employees may receive sales credit for 100% of the third party product net resale value. ▪ Cisco products sold as part of a solution are credited at 50% of the Cisco product net resale value. ▪ For all other third party products or services sold as part of a solution, sales employees are credited 35% of the third party products or services net resale value. ▪ Sales credit is not applied for third party services that are not sold as part of a solution and/or not warranted by HP. If warranted by HP, third party services are credited at 35%.
13.3. Technology Services (TS)	Refer to the HP Global Sales Compensation Handbook, effective 01-May-2008: http://intranet.hp.com/tsg/WW2/wwsalescomp/Policy/Pages/GSCHandbook.aspx
13.4. Technology Management Solutions (TMS)	▪ Sales credit for all TMS services is granted for 100% for the first 12-month value. ▪ Sales credit is granted for 125% of the first 12-month value (not total contract value - TCV) of the HP annuity services provided that the original (not renewal) TMS custom agreement meets the following criteria: ➢ Minimum three-year agreement; and ➢ For Business Continuity Recovery Services (BCRS) and Flexible Computing Services (FCS), net CLCP value of at least $500 thousand USD TCV; or ➢ For all other TMS Services: Has a net CLCP value of at least $2.5 million USD TCV in large countries or $1.5 million USD TCV in small countries for all other services. The appropriate region sales manager classifies the countries within their region as either large or small.
13.5. Outsourcing Services (OS)	▪ Sales credit is granted to CBMs, CCMs, SPs, EAMs (peaked or dedicated), DMs and Industry Directors for the sales of new OS engagements at 50% of the first year contract value with no quota assigned. This sales credit applies to sales of new 12-month OS engagements to a new or existing customer.
13.6. IPG Enterprise Direct Sales, Account Based Roles, EMEA	▪ Sales credit for hardware products included within IPG Enterprise Direct transactions is applied at 150% percentage of the actual shipment transaction value. The same 150% is applied to the quota number to calculate the sales letter quota.

14.0. Multinational Sales

As worldwide solutions are complex, it is usual for more than one party to be involved in finalizing sales. In such situations, it is necessary to allocate sales credit in a manner that recognizes genuine sales contribution, is motivational to the parties involved, and minimizes inter-party conflicts. Multinational sales credit, which recognizes the multiple contributions of cross-regional sales teams in obtaining orders and subsequent shipments or deliveries, permits this to occur.

NOTE: Multinational sales credit splits do not impact HP revenue. If revenue needs to be shared, reference the **Cross Border Management Policy** documented in the **Accounting and Finance Manual (AFM):** http://intranet.hp.com/finance/WW/controllership/efr/Operational_Policies/AFM/Pages/AFM.aspx

14.1. Multinational Sales Credit Splits	▪ Sales credit may be split 50% to the sold-to country (or country of specmanship for software-only deals) and 50% to the ship-to country (or country of software usage for software-only deals) for all multinational solutions, with the exception of stand-alone image and printing (IPG) products. Sales credit splits for large opportunities are negotiable between sales teams. ▪ Multinational sales credit for sales of standalone IPG products may be negotiated by IPG country sales managers. ▪ Shipments of standalone IPG products and technology services agreement orders must have a CLCP greater than $100 thousand USD to qualify for a multinational country sales credit split. ▪ A multinational sales credit split will not be granted to an individual country sales employee for a technology services agreement order when the amount split to their country is less than $10 thousand USD per country. ▪ Software-only orders must have a CLCP greater than $30 thousand USD to qualify for negotiations of a multinational sales credit split. ▪ For software-only orders, up to 20% of the total deal value will be deducted from sales credit if a sales employee does not follow the "Pre-deal Closing Registration Process" or in the case of sales employee split disputes escalated to Region Software Sales VP. ▪ For all other products or services, there is no minimum order/shipment value to qualify for a multinational sales credit split.
14.2. Large Opportunities	▪ Large opportunities are orders or shipments of products or services that have a customer purchase order total CLCP greater than $1 million USD. ▪ The minimum technology services agreement order values do not apply. ▪ Influencer sales – A country sales rep whose selling effort is influencing in nature (not located in the sold-to or ship-to country) is entitled to a 25% sales credit split. When a selling influencer role occurs in a large opportunity, the multinational sales credit split is 25% to the influence country, 25% to the sold-to country and 50% to the ship-to country. ▪ Influencer credit is approved as follows: ➢ Corporate Accounts: CBM ➢ Enterprise Accounts: The sold-to Region Industry Vertical Manager (IVM) ➢ Other accounts: Country Sales Manager of the influencing sales employee

	▪ Negotiated splits – Some situations may require negotiated splits, approved as follows: ➢ Corporate Accounts: CBM ➢ Other accounts across regions: Country Sales Managers must agree and approve. ➢ Other accounts within APJ countries: all opportunities (no USD value minimum) may be negotiated for multinational sales credit splits.
15.0. Sales Credit Programs	
Sales Credit Programs must be approved per the Global Sales Compensation Delegation of Authority Policy. Approved programs are published on or linked from the WW Sales Compensation website: http://intranet.hp.com/TSG/WW2/wwsalescomp/Pages/default.aspx	
15.1. Communications, Media & Entertainment Joint-Go-To-Market (CME JGTM) Program	
Refer to CME JGTM website for additional information: http://cmeonline.hp.com/jgtm/default.asp	
15.1.1. Sales Credit Eligibility	Sales credit may apply for pre-approved CME JGTM partners, when HP products or services (excluding support renewals and outsourcing services) are sold as follows: ▪ to a CME JGTM partner acting as a Value Added Reseller (VAR) who resells to an end-user customer/service provider; or ▪ cooperatively with a CME JGTM partner to an end-user customer/service provider; or ▪ to a CME JGTM partner who provides the end-user customer a solution or service where the CME JGTM partner takes title to the products or services without transferring product ownership to the end-user.
15.1.2. Sales Credit	▪ 50% sales credit is split to the CME JGTM headquarters (HQ) team and 50% sales credit is split to the CME JGTM promoter sales team. If there is no promoter sales team, then the CME JGTM headquarters team receives 100% sales credit. ▪ In addition, 100% sales credit is applied to the end-user customer/service provider sales team. If the end-user customer/service provider sales team is the same as the CME JGTM promoter sales team, then the end-user customer/service provider sales team receives maximum 100% credit.
15.1.3. Claim Information	Refer to the HP Global Sales Compensation Handbook, effective 01-May-2008.
16.0 Margin Visibility	
Please refer to the following site for more information: http://wpcfs.corp.hp.com/TSGWW2_WPC/wwsalescomp/Policy/Docs/2009/FY09_MarginDisclosurePolicy.pptx	

POLICY HISTORY

Records Retention Information

Each published version of this policy is to be retained per Global Records Management (GRM) requirements under GRM Record Series CM109. The retention period for this policy is classified as active + 10 years. The Project Manager for each policy revision is responsible for records management.

Revision History

Revision Date	Revision Notes
01-Nov-2008	Page 1: Change to Global Contact Section 3.0: Removed statement regarding margin visibility Section 5.1: Clarification statement added Section 10: Clarification statement added Section 12.3: Clarfication statement added Section 12.4: Update to US statement Section 13.1: Clarification statement added Section 13.2: Change % credit from 15% to 35%; removed Margin requirement statement Section 13.6: Added new section IPG Enterprise Direct Sales, Account Based Roles, EMEA Section 13.10: TSG Networking Solutions section removed Section 16: Margin Visibility section added Several sections have been moved to the new HP Global Sales Compensation Handbook, effective 01-May-2008: ▪ Section 13.6: Consulting and Intergration (C&I) ▪ Section 13.7: Pay-Per-Use and Utility Sales ▪ Section 13.8: Lifecycle Sales ▪ Section 13.9: Simdesk Contracts ▪ Section 15.3: International Funding Organizations (IFO) The following have been removed as Employee Sales Letters or other role-specific documentation from Global Sales Compensation describes such information: ▪ Section 14.0: Sales Credit Eligibility Notes – Sales Role Specific ▪ Section 14.1: Client Business Manager (CBM) ▪ Section 14.2: Corporate Client Manager (CCM) ▪ Section 14.3: Services Principle
01-May-2008	Several sections and/or statements have been moved to the new HP Global Sales Compensation Handbook, effective 01-May-2008. Page 1: Change to APJ Policy Contact

		Page 2: Update to "Business Conduct and Gray Marketing Policy Note" to address misdirected sales credit for channel sales Page 2: Additional Reference items are now linked directly from the website: http://intranet.hp.com/TSG/WW2/wwsalescomp/Pages/default.aspx Section 1.0.: Effective 15-Feb-2008 Sales Compensation Decision Team and Sales Compensation Steering Team replaces Sales Compensation Governance Council Section 3.0: Deleted Americas specific statement regarding sales letters which was inaccurate for FY08 (carried over in error from FY07 Policy) Page 16: Clarification of first paragraph under Sales Credit Policies Section 12.3: Clarification within first bullet Section 13.5: Removed incorrect statement regarding renewal credit
	30-Jan-2008	Refer to Revision History of 30-Jan-2008 revision for detail of updates.
	01-Nov-2007	Refer to Revision History of 01-Nov-2007 revision for detail of updates.
	25-Jun-2007	Refer to Revision History of 25-Jun-2007 revision for detail of updates.
	01-May-2007	Refer to Revision History of 01-May-2007 revision for detail of updates.
	01-Nov-2006	Combines the 2H06 versions of the Global Sales Compensation Incentive Pay Administration Policy and the HP Sales Credit Policy and incorporates policy changes approved for FY07.
	17-May-2006	Initial release of Global Sales Compensation Incentive Pay Administration Policy, effective 2H06.

EXHIBIT 7

invent

FY 2006

North America Sales Credit Implementation Guidelines

Table of Contents

Overview

This FY06 North America Sales Credit Implementation Guide is intended solely for the use of North American sales employees and those organizations that support them. For purposes of this guide, North America is defined as the United States and Canada. This document is intended for incentive employees participating in a sales incentive plan from November 2005 through October 2006 (FY06). All Sales Plans and this Guide are Hewlett-Packard (HP) Restricted and for internal use only. Nothing in the U.S. Sales Incentive Compensation or Credit Plans (Sales Plans), U.S. Sales Compensation Incentive Pay Administration Policy (Comp Policy), or this Guide shall be construed to imply the creation of or existence of a contract between Hewlett-Packard and any participant, nor a guarantee of employment for any specified period of time. No plan participant will have any right to monies accrued through their assigned compensation and credit plan until and unless all terms, provisions, and conditions, as set forth in the plans, have been met. Hewlett-Packard reserves the right to adjust the plan to address significant unforeseen business issues. Hewlett-Packard also reserves the right to change these guidelines at any time. Employees leaving Hewlett-Packard are required to return this document and all materials concerning the FY06 Sales Credit Guidelines to their managers.

Purpose of Guide

HP's Sales Compensation Program recognizes that while overall crediting practices should be consistent throughout HP, each region may vary in their implementation of certain crediting practices. Therefore, each region provides local documentation on sales credit implementation guidelines within the region; that document is used in conjunction with other related documents to assist the sales force in understanding how sales crediting is applied within each region. The Corporate Sales Credit Policy (213.0100) provides the worldwide approach to sales crediting. This document provides details on the North American implementation of the Corporate policy and provides further clarity on sales crediting practices in North America. These guidelines apply to North American incentive based employees unless otherwise designated by specific metrics of their sales plan

Related Documents

The following documents are sources of additional information related to sales incentive credit. Incentive employees are expected to read these documents, along with their individual sales plan document (FY2006 U.S. Sales Incentive Credit and Compensation Plan), and discuss any questions with management. Any changes or exceptions to information in any of these documents must be approved by the responsible organization as indicated below.

Document	Web Address	Responsible Party
WW Sales Credit Rules (213.0100) and HP Order Acceptance Policy (215.0400)	http://customerops.corp.hp.com/policies/index.html	WW Marketing Policy Manager
FY06 North America Sales Compensation Incentive Pay Administration Policy	http://americas-sales-comp.corp.hp.com/FY06%20COMP%20POLICY_NORTH%20AMERICA.pdf	Americas Sales Compensation Operations Organization (SCO)
Americas Sales Compensation Operations (SCO) Delegation of Authority Policy	http://americas-sales-comp.corp.hp.com/DOA_Americas%20SCO_FY06.pdf	Americas Sales Compensation Operations Organization (SCO)

These documents, as updated, supersede any prior documents. If any conflicts or inconsistencies exist, this document shall take precedence over the Worldwide Corporate Sales Credit Policy. Within North America, the Americas SCO Delegation of Authority Policy contains guidelines around approvals required for various situations.

Crediting Assumptions and Timing

These guidelines presume that quota has been deployed to the sales rep positions mentioned. If quota was not factored in, there is no sales credit eligibility. Posting of credit in the incentive pay system is dependent on HP's order management systems as well as Partner Sales Out reporting. While most credit is posted between one and six weeks after ship or order / certification date, the application of sales credit may be deferred beyond this time frame, until all required data is captured (e.g. pending customer information from channel reporting or Account IDs (AMIDs). Revenue recognition deferrals may be applied.

For direct transactions, sales credit is based on the shipment date within the posted Order Entry cut-off schedule for specific products and families, and for HPFS leases, EMR (remarketed equipment) and HP Showcase (demo/seed) transactions. Compensation for Services (HPS) order transactions are based on the date the order is certified by HP.

There is a quarterly sales credit cut-off for direct transactions. The SAB101 regulation imposed by the Security and Exchange Commission is an accounting standard that requires customer receipt and title transfer of equipment prior to HP's recognition of revenue. Therefore, Americas SCO has implemented a quarterly sales compensation cut-off policy. Direct shipments that occur after the specified quarterly cut-off date will be credited in the following quarter. Note: Indirect transactions are not subject to the quarterly cut-off policy.

Final quarter end crediting occurs approximately 90 days after the previous quarter closes. Refer to the OMEGA CREDITING INFORMATION section on the welcome screen of the Americas SCO website (http://americas-sales-comp.corp.hp.com/)for the

specific dates by product line: To allow time for complete source data receipt and channel reporting, fiscal months may stay open for adjustments.

Any change to an assignment as well as the timing of that change can potentially impact eligibility for sales credit. Therefore, a sales rep may not receive credit for transactions that miss the quarterly sales credit cut-off.

For indirect transactions, sales credit is based on the date provided by the partner in their Sales Out report to HP. Credit for indirect business through a non-reporting partner would need to be submitted and approved via a manual claim (see the manual claims section for more details).

Partner reported transactions typically appear within 30-45 days for named account assignments. It can take 60 or more days for the transaction to appear if the end-user customer is not identifiable in normal processing.

Manual Claims

Supported manual claim/adjustment requests are submitted online within the Americas SCO website. All criteria of the claim should be met prior to submission. Standard criteria applicable to all claims are as follows: quota deployment, documented sales effort, shipment/invoice/order validation, supporting documentation, and required approvals. Minimum thresholds (which apply to US claims only) are per order and there is no bundling of orders to meet thresholds. A manual claim calendar with submission deadlines will be available on the Americas SCO website under the Manual Claims Portal link. All claims must be submitted before the claims submission deadline.

Eligibility for any claim is based on sales credit rules and the compensation and credit plan that applies to the sales rep requesting the credit. Approvals within SCO are per the DOA available on the Americas SCO website. For some claims, additional approvals may be required as listed below. Following is a list of the valid claim types along with thresholds and any additional criteria for each claim. For additional information on claims, reference the Manual Claims Portal located on Americas SCO website under the Sales Force Toolkit.

TMS Custom Agreements

Description: A Technology Management Solution (TMS) custom agreement is one in which HP agrees to support a customer's environment that could include both HP and multi-vendor hardware/software. If the customer submits a multi-year purchase order, quota credit is granted for 125% of the first twelve month value (not total contract value) of the HP annuity services. Add-on orders will also be granted 125% quota credit of the value for the remaining months of the first year of the TMS custom agreement.

Threshold:	$300K for BCS $4M (non BCS)
Additional Criteria:	Agreement is for a minimum of 3 years Value at least 50% greater than the current support agreement Order coded as new, not renewal All affiliated sales roles eligible for PL would get credit
Approvals:	Sales manager and services sales ops approval required.

Conditional Claims for Missing Credit

Description: This claim type is for the sales rep to request missing credit with supporting documentation of the order/shipment. Missing credit is posted after credit date is 45 - 60 days old. It can take up to 10 work days before such credit is visible. The conditional credit will be audited and reversed if the sale credits systemically in subsequent data feeds.

Threshold:	$50K non-IPG Product $25K IPG Product $25K Services
Additional Criteria:	Available to sales reps in the US only

Multinational Quota Splits

Description: When transactions are not recognized systematically as multinational, a manual claims process is required when the following criteria are met. The split is 50% to sold-to country and 50% to ship-to country. Per HP Corporate Marketing Policy, credit splits are negotiable on transactions >$1 million with Sales GM approvals.

Threshold (US only): $250K non-Software Product
$100K Software Product
$100K deal (25K country) Services

Additional Criteria: International quota must have been deployed
Request must be submitted within 90 days of shipment

Approvals: Sales GM approval for negotiated splits greater than $1M

NSP JGTM Program (formerly SPP and TRSP)

Description: The Network Service Providers Joint Go-To-Market (NSP JGTM) program replaces both the former Telecom Resellers and the former Service Provider Partners programs. Each NSP JGTM claim with a CLCP (Converted Local Currency Price) greater than 100 thousand USD must be approved by either the CBM of the Network Equipment Provider/Service Provider or the Global Inbound Corporate Accounts Manager. The worldwide minimum threshold for NSP JGTM claims is orders/shipments with a CLCP of $50 thousand USD. An exception is Nokia for which the minimum threshold for NSP JGTM claims is orders/shipments with a CLCP of $25 thousand USD. The NSP JGTM program is a worldwide quota credit program designed to encourage cooperation between HP sales organizations to provide the best HP solution to customers. Network Equipment Provider Sales Reps, HQ Reps, Service Provider Sales Reps, and all sales roles associated with the end-user accounts are eligible for credit under the NSP JGTM program. Based on order scenario, some sales credit for NSP transactions occur systematically and some require the sales employees who are eligible to submit a claim for credit. Note: Software MSP model is eliminated from the NSP JGTM program. Services renewals and managed services are not credited under the program. These programs are defined in detail under the "Sales Force Toolkit" on the Americas SCO website: http://americas-sales-comp.corp.hp.com/ For more information on the NSP JGTM program or to view the FY06 Authorized Service Providers, visit the NSP JGTM portal: http://spp.corp.hp.com/. Note that there is a cap of $200K on duplicate credit per half across all transactions applied in Canada.

Threshold: $50K (except for Nokia $25K)

Submittal Process: Via Manual Claims Portal link from the Americas SCO website

Approvals: For claims greater than $100K, either the CBM of the Network Equipment Provider/Service Provider or the Global Inbound Corporate Accounts Manager

Area to Area Transfers

Description: This claim type is for transactions that were included in the quota for the Area requesting credit but due to change in buying behavior of customer, the shipments are occurring in a different Area than historically for that customer. This should be used for exceptions only and should not be used solely based on where the sales effort is. Area crediting is based on end-user ship-to logic. Requests to reassign credit to a different sub-region or area will be considered within the US only.

Threshold:	$2M Generalist $500K Specialist $250K Software/ProCurve $100K Services
Approvals:	Written VP approval from both regions affected

Indirect Sales

Description: On indirect business, transactions are captured via and credit is dependent upon Partner Sales Out reporting to HP. This includes New Customer Reference File (NCRF) defined facility managers and system integrators where quota was deployed. This does not include Alliance Partners. If partner does not report, manual claims may be required for sales to partners and/or end-users.

Threshold (US only):	$50K non-IPG Product $25K IPG Product $25K Services
Approvals:	Sales manager and services sales ops approval required (HPS)

Remarketed Equipment

Description: Sales employees are eligible for sales credit on used/remarketed equipment according to the crediting rules for their sales specialty, at the time of shipment when transaction and end-user data is available. Credit is applied at 100% of the Net Deal Price for HPFS Remarketed Product Sales. When the transactions are not reported or the end-user data is not available, claims will be considered.

Threshold (US only): $50K non-IPG Product
$25K IPG Product

Demo Sales

Description: Upon the purchase and invoicing of consignment business, sales employees are eligible for credit according to the crediting rules for their sales specialty. Credit is given when payment is received from the customer. When the transactions are not reported or the end-user data is not available, claims will be considered.

Threshold (US only): $50K non-IPG Product
$25K IPG Product

HPS Installed Base Transitional Claims

Description: When installed base contracts (option/CarePack conversions and ongoing renewals) transition between direct and indirect business, sales credit may be applied as both direct/end-user and channel business (as an overlay). A manual claim will be required by the "transitioned from" sales team. When installed base contracts (option/CarePack conversions and ongoing renewals) transition between customer segments, sales credit may be applied as both segments (as an overlay). A manual claim will be required by the "transitioned from" sales team. When either claim is executed, the "transitioned to" sales team (account and/or individual) will receive a quota increase equal to the value of sales credit applied.

Threshold (US only): $25K

Additional Criteria:	Validation of contract transition Agreement from transition to team for quota increase Applies to services sales reps only
Approvals:	Sales manager and services sales ops approval required

HPS Custom Solutions

Description: Eligibility for HPS sales credit is limited to orders booked and recognized as HPS product lines. No HPS sales credit on standard HPS offerings bundled with products. The only exception is for custom solutions where services are bundled at customer request.

Threshold (US only): $25K

Additional Criteria:	Finance verification of revenue transfer Product sales approval for restatement
Approvals:	Sales manager and services sales ops approval required

HPS Negative Transactions

Description: For cancellations or revisions of services contracts resulting in a negative order, the negative sales credit will be applied to the person(s) assigned to the account and/or area at the time the negative order is recognized, even when crossing fiscal years. Exception adjustments will be considered when certain criteria are met.

Threshold (US only) $100K

Additional Criteria:	New to assignment within past 90 days (US only) No opportunity to influence customer decision Did not received original order credit Original order credited in previous performance period
Approvals:	Sales manager

HPS Sales Crediting

Services sales credit will be applied based on the order recognized using the Sales Metric Code Definitions. Sales effort and/or involvement does not drive the use of these codes or how sales credit will be applied systematically. More information on these definitions can be found at the following web site:
http://ibsc.services.hp.com/na/FY06_WW_SMC_TS.ppt

No sales credit for Time & Materials (unplanned per event) or Parts/Assisted Services (PL91). Eligibility for Technology Services (TS) sales credit is limited to orders booked and recognized as TS product lines. No TS sales credit on standard TS offerings bundled with products. TS sales credit eligibility for PC Lifecycle Services and HP Direct (CEI/VISTA) products or services is not recognized in TS product lines. TS Specialists assigned to partners are eligible for sales credit on business and enterprise class influencer (non-take title) business. This credit may be applied manually based on company reporting of validated influencer/referral orders. Product Specialists should refer to the Americas SCO website and training materials on services crediting for additional information on specific PL eligibility and exclusions. Exclusions may include: education services (PL4J), Network Integration Services (PL7G); and various other order transactions.

Sales credit for "installed base/ongoing indirect contract renewals" will be applied to the sold-to customer only (in the US) and the ship-to customer only (in Canada). No sales credit will be applied to the end-user sales teams in the US except as noted below:

- Sales credit eligibility for indirect renewal business on defined channel accounts/contracts with Federal end-users. Eligible accounts/contracts to be identified and defined upfront and approved by HPS Sales Operations. Manual claim required. See the Manual Claims section of this document for more details and use the indirect sales claim type to submit these claims.

- Sales credit eligibility for indirect renewal business on defined channel accounts/contracts with Mid-Market end-users (also referred to as Commercial/SMB). Eligible business/credit value to be determined and approved by HPS Finance and Sales Operations. This will be managed via a credit adjustment applied quarterly.

Indirect Sales

Indirect Reporting

Per the terms and conditions of the HP reseller contract, at HP's discretion, resellers that meet predetermined criteria are selected to participate in the reporting of indirect sales. Reporting guidelines indicate that resellers must report sales of all HP products for which resellers invoiced end customers.

Indirect sales credit is dependent upon reporting of Sales Out data. Sales Out data is usually visible in the incentive pay system within one to two weeks following receipt of partner sales reporting. Partner sales reporting includes sales of new services, but excludes all renewal services sales.

Crediting is dependent upon partner and customer identification provided in Sales Out data. Cross referencing of Customer and Customer location uses a combination of sources to determine which accounts should receive credit and valuation of the credit. The fiscal month credited is determined by the partner reported date, which is typically an invoice date or ship date. Therefore, indirect transactions are not subject to the quarterly cut-off policy.

A list of US reporting partners is accessible via a reference link on the Americas SCO website. More partner information is available via the Partner Information Management website: http://pim.boi.hp.com/

High Level Crediting Logic:

	DIRECT	**INDIRECT, Partner Direct and HP Direct (Vista)**
Territory Crediting (includes area portion of a hybrid plan)	Sold-To Zip Code – US Ship-To Postal Code - Canada	Ship-To Zip Code
Named Account Crediting	Sold-To Customer – US Ship-To Customer - Canada	Ship-To Customer or Partner Reported Customer
This information covers the majority of crediting scenarios.		

Territory Crediting

Reseller Sales Out is used for a select list of larger, and/or multi-branch reporting resellers. Sell-To information (aka RSO) from reporting 1st and 2nd tier partners is used for end-user based crediting. Sales credit is based on ship-to or end-user customer location and credit is applied based on partner-reported date.

Sell-through (aka CSO) data is used when sales are through non-reporting resellers and credit is based on drop-ship information, when available.

Partner Crediting

Sell-Through (aka CSO distribution) and Sell-To (1st and 2nd tier resellers) are used for partner or partner branch based crediting. Sales credit is based on reseller location, AMID , ICN (Internal Contract Number) (US), Channel Sales Reporting Tool (CSRT) identifier (US), or CPR (Canada).

Named Crediting

A combination of Channel Sales Out and Reseller Sales Out data is used. Sell-To information (aka RSO) from reporting 1st and 2nd tier partners is used for end-user based crediting. Sales credit is based on the ship-to or end-user customer location and credit is applied based on partner-reported date. Sell-Through (aka CSO) data is used when sales are through non-reporting resellers and credit is based on drop-ship information, when available.

If the sale has not been reported or the end-user customer information cannot be identified systemically, the application of sales credit may be delayed and may require a manual claim submission. See the Manual Claims section of this document for more information.

HP Direct (Vista) Agent-Take-Title Transactions (US Only)

To avoid duplicate crediting, HP Direct (Vista) Agent-Take-Title transactions for reporting partners are not credited at the time of shipment from HP to the reseller. Instead, the transactions are credited based on the date of sale and data reported by the reseller.

Reporting Partners	Credit for HP Direct agent-take-title transactions through ***reporting partners*** is not given based on the HP Direct (Vista) data but will be given based upon the reporting partners Sell-To sales reporting
Non-Reporting Partners	Credit will be applied via HP Direct (Vista) data for HP Direct agent-take-title transactions through ***non-reporting*** partners.

Services Crediting

Indirect/Channel Crediting: Sales credit for indirect new business will be applied to the end-user accounts. This includes NCRF-defined Facility Managers & System Integrators, where quota was deployed. Credit is based on Sales Out reporting to HP. If an eligible partner does not report, manual claims may be required. See the Manual Claims section of this document for more information.

Sell-With/Through Crediting: For direct accounts, including HPS alliance accounts, selling to, with, or through to other end-user accounts, sales credit will be applied based on the sold-to customer only (ship-to customer in Canada) and standard crediting rules apply (except as defined for authorized accounts in the Network Service Provider Joint Go To Market (NSP JGTM) Program: http://spp.corp.hp.com/

No additional overlay services credit will be applied:

- to the direct end-user account team when the sold-to customer is the named "hosting," "service provider," or "sell-with/through" account.

-or-

- to the named "hosting," "service provider," or "sell-with/through" account team when the sold-to customer is the end-user account.

Valuation

To drive channel neutrality and ensure a similar treatment whether a transaction is sold direct or indirect, sales credit will be valued as follows:

DESCRIPTION	TRANSACTION TYPE	PRODUCT CATEGORY	VALUATION
Third Party (direct only)	Third Party Options: (3PO) (Vista Only)	PSG	100% of Net**
	HPS	Third Party PLs (Except Cisco)	15% of Net**
		Cisco Third Party PL	50% of Net**
		Stand alone / non-solution sales	$0 – not credited
Solutions Partner Organization	SPO	All	Net Dealer Price (NDP) in US; see below indirect valuation for Canada
HPS Support Contracts and Orders through NCAS, SMART, CABS, HPS SAP (ORC and Support Americas)		HPS	Net Price**
Partner Crediting	For Partner Sales Reps	DVAR, SI, Software Reseller, HPS Reseller	Net Dealer Price (NDP) in US; see below indirect valuation for Canada
Customer Purchases Directly From HP	Direct Includes MS/Outsourcing	All	Net Price**
HP Direct (except Partner Direct, Partner Prime and agent-take-title through non-reporting partners)	Customer purchases from HP Direct program: Enterprise Direct (traditional end-users); Direct plus (SMB Direct); GEM Direct; Federal Direct	ALL	Net Price**
Indirect (includes Partner-Reported Sales, HP Direct Partner Direct and HP Direct agent-take-title through non-reporting partners)	Customer purchases from a Channel Partner or Reseller	PSG (except PLs: 5X, 9H, 21, 9J, BQ)	70% of List Price*
		PLs: 5X, 9H	72% of List Price*
		PLs: 21, 9J, BQ	74% of List Price*
		HPS	70% of List Price*
		ISS	65% of List Price*
		BCS	55% of List Price*
		SW	55% of List Price*
		NSS (except PLs: LM and LN)	50% of List Price*
		PLs: LM and LN	40% of List Price*
		NED	Net Price**
		IPG (except Replenishment SAP shipment feed (in select IPG plans) valued at Net)	70% of List*
		IPG Replenishment SAP shipment feed (in select IPG plans)	Net Price **
		Procurve	65% of List Price*

*List Price is defined as:
Global Product and Pricing System (GPSy) List Price for HP priced products/services
Partner Reported Price and/or Cost are used when List Price is not available.

**Net Dealer Price (NDP) is used if Net is not available.

FAQs On Business Practices

Rentals

In North America, there is no quota distributed or credit provided for rentals.

Demo Sales (Consignment, Demo Paq, SEED Units)

Upon the purchase and invoicing of demo sales business, sales roles are eligible for credit according to the crediting rules for their sales specialty. Credit is given when payment is received from the customer. When the transactions are not reported or the end-user data is not available, a manual claim is required. See the Manual Claims section of this document for more information.

Remarketed Equipment

Sales employees are eligible for sales credit on used/remarketed equipment according to the crediting rules for their sales specialty, at the time of shipment or invoice when transaction and end-user data is available. Credit is applied at 100% of the Deal Price for HPFS Remarketed Product Sales. When the transactions are not reported or the end-user data is not available, a manual claim is required. See the Manual Claims section of this document for more information

Leases

Sales employees are eligible for sales credit on products purchased as part of a sale financed through HP Financial Services (HPFS) according to the crediting rules for their sales specialty, at the time of shipment or invoice, when transaction and end-user data is available. Leasing transactions are credited to the end-user customer. Sales credit is recognized upon product shipment. Technology Services (TS) annuity contracts cannot be leased. There is no end-user sales credit for lease renewals. Changes in payments or bad debt losses do not affect sales credit. Premature lease cancellations are treated the same as returned products that were purchased direct by the customer. When the transactions are not credited systematically, are not reported, end-user data is not available or the leasing company is not HPFS, a manual claim is required. See the Manual Claims section of this document for more information.

3PO Crediting

PSG Third Party products are credited systematically for 100% of Net Revenue for direct transactions. Refer to the list of 3PO SKUs on the Americas SCO website. Additionally, the PSG Americas Tool Site houses a library of 3PO information: http://psgtoolsite.corp.hp.com/3po.asp

HPS Third Party Sales credit on Cisco product and services are valued at 50% and sales credit on other (non Cisco) 3rd party products and services is credited at 15%. There is no sales credit for indirect sales, standalone sales, competitive products, or pass-thru of 3rd party products or services. CBMs, CCMs and SPs will receive 100% sales credit for eligible Non-HP branded 3rd party product and services resales.

Brokered Equipment

There is no authorized or exception sales credit for sales sold by a "broker" to an assigned Account or Area. Sales quotas and credit apply only to sales made directly or with an authorized Reseller Partner, who has an approved Reseller Discount Agreement via a signed contract, called the US Business Development Agreement (BDA), in effect at the time of sale. Brokers are not authorized resellers. Broker sales should be reported to US Product or Channels Operations so that follow-up action can be taken regarding this potential resale violation. The following website contains a complete list of BDA partners: http://nancy2.cup.hp.com/prf/p1_complete_pbm.csv

Giveaways

There will be no sales credit applied on giveaways, such as The Customer First Program, corporate contributions or grants, as there is no revenue to HP.

Transaction Management

The current sales employee(s) assigned to an account and/or territory benefits from the positive transactions that flow to the incentive pay system from the previous account and/or territory owners and also carries responsibilities for negative (returns/cancellations) transactions from previous owners.

Shipments: Negative sales credit is applied to the person(s) assigned to the account and/or territory for all return transactions, regardless of the original sales transaction date.

Services (Order Product Lines) Cancellations/Negative Transactions: For cancellations or revisions resulting in a negative order, the negative sales credit will be applied to the sales employee(s) assigned to the account and/or territory at the time the negative order is recognized, regardless of the original sales transaction, except when certain criteria are met and manual claim adjustment is approved. See the Manual Claims section of this document for more information on criteria and submittal guidelines.

Managed Office Services and Pay Per Use

Sales Credit for Managed Office Services (formally known as Managed Print Services) and Pay Per Use occurs when the official legal order booking is processed. The legal order booking happens only after the Design/Discovery phase of the project is complete.

Depending on the type of deal, legal order bookings are typically processed within 60-90 days of the customer providing the order.

Pay Per Use deals generally have shorter Design/Discovery phase and order bookings usually occur within the 30-60 days range.

Managed Office Services deals tend to have a lengthier Design/Discovery phase due to deal complexity and geographically dispersed locations. Assessment may be done by floor, building, site, campus, geography, so legal order bookings for some deals can take up to 6 months.

Managed Services

There is no new business Managed Services (MS) quota deployed to any sales employee and therefore no sales credit is applied. Managed Services sales are administered via a bonus. For more details, see the bonus documentation posted on the Americas SCO website. Also, there is no MS Renewal credit except for CBM, CCM & SP assigned to specific approved accounts and for direct orders only. See the HPS Sales Crediting section of this guide for information on coding of renewal business. New hardware, when part of a MS arrangement, is eligible for credit against the hardware quota.

Better Together Storage Credit (US Only)

NonStop (NED) Sales Reps will receive sales credit for selling XP Storage products within NonStop Environments. This will be handled by manual posting based on reports from NSS BU. Claims are no longer required to request this credit. Note that there will not be any credit for add-ons or upgrades.

How to Get More Information

Your first point of contact for questions on crediting, missing credit, negative transactions, manual claims, etc. is the Americas Sales Compensation Support Center. Your inquiries can be submitted via e-mail at
Sales.Compensation.Support.Specialists@hp.com
You may also contact a Specialist directly at: 1-800-244-1407.

Multinational Credit For US Federal Transactions

When Federal transactions include international shipments considered on "US Soil," 100% crediting is applied to the federal account. This includes US Embassies, veterans hospitals located at US Embassies, military installations, and known US State Department or Intelligence locations. If the crediting is not applied systematically, a manual claim is required. See the Manual Claims section of this document for more information.

Sales Crediting Models

Crediting in the Named Model

HP's Industry Sales (Corporate), Enterprise, Federal, SLED, Mid-Market (Commercial) SMB Named and particular Channel Partners, are considered named accounts. When sales resources are assigned to specific named account(s), crediting is based on the named model. Named accounts (including identified subsidiaries and affiliates) are determined during each fiscal half planning process.

Through the New Customer Reference File (NCRF) process, accounts are assigned an Account Management ID (AMID). AMIDs associate and group account information using customer reference information such as HP's customer number and Dunn & Bradstreet (D&B) DUNS numbers. AMIDs allow a link between the named account, or a specific portion of a named account, to the assigned sales role(s) for crediting.

Named account crediting is based on the activity for the entire account (AMID) US wide, except for defined remote coverage exceptions (see Remote Coverage for Named Accounts section, below).

The account information for named account crediting is determined as follows:

Direct Business:

- Direct transactions are based on the sold-to customer code (ship-to customer in Canada)

Indirect Business - HP Direct (Vista), Partner Direct, HP Prime, Business Store/Web Associate Program (WAP) (no Vista or Business Store/Web in Canada):

- Indirect transactions are based on the ship-to customer as reported by the partner
- HP Direct crediting is based on the AMID associated with the ship-to address
- Includes distributor drop-ship reporting (HiP, VAR, SI, ISV) and stocking.
- Manual claims may be submitted for non-reported transactions. See the Manual Claims section of this document for more details.

Remote Coverage for Named Accounts

Individual generalists and/or specialists may have been assigned to cover remote sites or only a portion of a named account. In these cases, the assignment is identified by the account name with specific states covered or is identified by a unique AMID or a unique Site Duns number.

Remote account coverage is determined during each performance period planning & rostering cycle, and is based upon defined sales coverage requirements.

Mergers & Acquisitions

For 2006, mergers & acquisitions between customers will be handled as follows:

- In general, any merger or acquisition involving any named account will be held back until the start of the next fiscal half.
- Any merger between two named accounts will be held back until the start of the next fiscal half.
- Any acquisition of a named account will be held back until the start of the next fiscal half.
- Any acquisition of a subsidiary or division of a named account will be held back until the start of the next fiscal half.
- Mergers and acquisitions related to Public Sector named accounts are held back until the start of the next fiscal half.
- Mergers and acquisitions between two unnamed SMB accounts will take effect as soon as the merger or acquisition is final. The accounts will be realigned to the surviving or new company.
- When a named account acquires an unnamed SMB account, the acquisition will be held back until the start of the next fiscal half.
- Note that there are specific named SMB accounts owned by Volume Sales. These accounts will be treated as named accounts and will follow the rules that apply to all named accounts. The SMB named Volume accounts can be identified in NCRF by their class code – SQX.

The term "held back" means that the merged or acquired account will remain aligned to the company who owned the merged or acquired account at a designated cutoff date before the beginning of the fiscal half. For H106, the account list is frozen. For H206, a cutoff date will be determined.

Crediting in the Territory Model

Territories are defined by geographic sales boundaries. In FY06, the US geographic sales boundaries are based on 11 areas. A sales assignment may consist of one or more of these areas: North Plains, South Central, Northern California, Pacific & Mountain, Southwest, Southeast, Midwest, Ohio Valley, Liberty, New England, and Mid-Atlantic.

In addition, there are 78 defined personal areas for the US IPG Commercial Territory and ProCurve which are mapped to the 11 geographic areas.

When sales resources are assigned to a territory, crediting is based on the territory model. Crediting within a specific geographic dimension is based on zip code (postal code in Canada) and can include all customer segments or just specific segments (i.e. Commercial/SMB). Territory boundaries are determined during each fiscal half planning process.

Territory crediting is based on the activity for the entire geographic dimension and is shared by other sales employees with assignments in the territory. Territory crediting includes both direct and indirect business. Territory Crediting is determined as follows:

Direct Business:

- Direct transactions are based on the sold-to zip code (ship-to postal code in Canada).

Indirect Business - HP Direct (Vista), Partner Direct, HP Prime, Business Store/Web Associate Program (WAP) (no Vista, Business Store/Web in Canada):

- Indirect transactions are based on the ship-to customer as reported by the partner. If end-user zip code is not reported, transaction is based on reseller zip code.
- HP Direct crediting is based on the ship-to address.
- Includes distributor drop-ship reporting (HiP, VAR, SI, ISV) and stocking.

REVISION HISTORY:

Date	Version	Revision Notes
2/22/06	1.0	First published version for FY 2006, effective November 1, 2005.